Dinar
Jurnal Ekonomi & Keuangan Islam Vol 13, No 2: Agustus 2026 345-360
https://journal.trunojoyo.ac.id/dinar/index ISSN: 2460-9889 (Print)
DOI: https://doi.org/10.21107/dinar.v8i2.9954 ISSN: 2580-3565 (Online)

The Distorsi of Murabahah Margin Calculation at Islamic Banking "XYZ" in Indonesia

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Abstract

Murābaḥah financing requires methodological coherence across profit-margin determination, income recognition, and installment allocation to ensure appropriate accounting treatment and adherence to Shariah principles. Against this backdrop, this study examines murābaḥah margin calculations at Islamic Bank "XYZ", focusing on the concurrent application of a proportional (flat) approach to determine contractual margins and an annuity-based approach to allocate installment payments. A qualitative instrumental case study was conducted using document analysis, semi-structured interviews, and participatory observation. The data were descriptively analyzed and evaluated against the Pedoman Akuntansi Perbankan Syariah Indonesia (PAPSI) 2013 and PSAK 102: Akuntansi Murābaḥah applicable during the study period. The findings demonstrate a lack of methodological alignment between contractual margin determination and installment allocation. Although PAPSI 2013 permits both proportional and annuity methods for murābaḥah income recognition, their accounting implications differ. At Islamic Bank "XYZ", their concurrent application affects the pattern of margin recognition and the measurement of customers' outstanding obligations, particularly in early-settlement transactions. The findings underscore that shariah accounting compliance depends not only on permissible measurement methods but also on their consistent application across accounting treatment, contractual execution, and institutional policies. Strengthening methodological coherence and accounting governance is therefore critical to enhancing transparency, faithful representation, and Shariah integrity in murābaḥah financing.

Keywords: *Murābahah; Margin Calculation; Annuity Method; Proportional Method; Islamic Banking.*

Introduction

Murābaḥah financing constitutes one of the principal instruments of Islamic banking intermediation, operating through a sale contract in which the acquisition cost and agreed profit margin are disclosed to the customer. Under this contractual arrangement, the selling price is established at the inception of the transaction, thereby providing certainty regarding the total contractual payment obligation over the financing period. This characteristic has made murābaḥah a widely adopted financing instrument in Islamic banking, particularly for meeting household consumption and business financing needs.

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Nevertheless, contractual certainty regarding the selling price does not necessarily ensure consistency in income recognition, instalment allocation, measurement of outstanding financing obligations, or the determination of early-settlement amounts. These issues become particularly salient when the method used to calculate the contractual profit margin differs from the method applied to allocate the principal and profit components of periodic instalments. Accordingly, the analysis of murābaḥah financing extends beyond operational efficiency and income predictability to encompass accounting measurement integrity, contractual transparency, and the distribution of economic consequences between financial institutions and their customers.

The significance of these issues is reflected in complaints raised by customers concerning murābaḥah financing at a national Islamic bank, which have contributed to perceptions that Islamic banking is relatively expensive and substantively similar to conventional interest-based lending. Such perceptions warrant critical examination because customers' assessments of financing affordability are shaped not only by nominal instalment amounts but also by payment structures, information disclosure, expectations regarding the reduction of outstanding obligations, and the financial consequences of early settlement. When the settlement amount determined by a bank differs from a customer's expectations, the discrepancy may reflect information asymmetry, limited understanding of contractual payment structures, inadequate cost disclosure, inconsistencies in calculation procedures, or a combination of these factors. Consequently, the perception that Islamic financing is expensive should not automatically be interpreted as evidence of pricing inefficiency or non-compliance with Sharia principles. Instead, it requires a systematic examination of financing structures, income-recognition practices, settlement mechanisms, and the quality of financial information disclosed to customers.

A central issue in this context concerns the conceptual distinction between the proportionate method, commonly referred to as the flat method, and the annuity method of recognising murābaḥah income. Under the proportionate method, profit income is recognised systematically in proportion to the relevant financing period. By contrast, the annuity method produces a different income-recognition pattern based on the financing balance and the applicable measurement framework. In a conventional level-payment annuity structure, the principal component generally increases over time, while the interest or financing-income component declines, assuming a constant periodic payment and a fixed calculation rate. The resulting allocation of income across reporting periods therefore differs from that generated by a proportionate approach, even where the total contractual selling price remains unchanged. Such differences do not, in themselves, establish that the contractual financing cost is higher or that the arrangement violates Sharia requirements. The more fundamental concern arises when the basis used to determine the contractual margin is not methodologically aligned with the approach used to allocate instalments, recognise income, and measure outstanding obligations. In such circumstances, the analysis must examine the relationship between contractual pricing, income recognition, the amortisation schedule, and the outstanding financing balance to determine whether the

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differences are merely technical or have substantive implications for the measurement of customers' obligations.

A simplified illustration helps clarify this issue. Consider a working-capital financing facility for a grocery trading business with an acquisition cost of IDR 50,000,000, a financing period of 12 months, and a flat margin of 7% per annum. Assuming a full-year financing period, the contractual margin would amount to IDR 3,500,000, resulting in a murābaḥah selling price of IDR 53,500,000. If the contractual obligation were divided into 12 equal instalments, the monthly payment would be approximately IDR 4,458,333. However, if the principal and profit components were allocated according to an annuity-based schedule, their distribution across the financing period would differ from that generated by a proportionate allocation. This difference raises questions regarding the consistency between selling-price determination and income allocation, particularly when a customer seeks to settle the financing before maturity. From an accounting and financial-analysis perspective, it is essential to distinguish among the contractual selling price, recognised profit income, outstanding contractual or accounting balance, any applicable profit rebate, and the final settlement amount. These distinctions prevent differences in payment allocation from being incorrectly interpreted as increases in the contractual selling price or as additional charges imposed on customers.

From an institutional perspective, the assessment of murābaḥah income-recognition practices must consider the interaction between Sharia governance requirements and applicable financial reporting standards. The National Sharia Board of the Indonesian Council of Ulama (DSN, 2012), through Fatwa No. 84/DSN-MUI/XII/2012, addresses methods for recognising profit in murābaḥah financing at Islamic financial institutions, including proportionate and annuity methods. The 2013 Indonesian Islamic Banking Accounting Guidelines also provide guidance on recognising non-cash murābaḥah income using either an annuity or a proportionate method (BI, 2013). These provisions underscore the importance of examining whether the selected accounting method is applied consistently with the contractual structure, the substance of the transaction, and the relevant regulatory requirements. Nevertheless, the use of different techniques at different stages of a financing calculation cannot automatically be classified as regulatory non-compliance. Such an assessment requires examination of the underlying contract, the basis for determining the selling price, the income-recognition policy, the treatment of outstanding obligations, and the regulatory provisions applicable during the transaction period. This approach enables a more precise distinction between technical variations in calculation, methodological inconsistency, and demonstrable non-compliance.

The financial reporting implications of these practices are equally important. PSAK 102 is specifically relevant to murābaḥah accounting in Indonesia, while PSAK 55, PSAK 50, and PSAK 60 formed part of the earlier financial-instrument accounting framework. Their relevance must be established according to the reporting period, the scope of the transaction, and the standards applicable at the time. This chronological and substantive distinction is necessary because changes in accounting standards may affect the recognition, measurement, presentation, and disclosure of financing transactions. Accordingly,

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accounting consistency should not be assessed solely by comparing the labels assigned to different calculation methods. Rather, it should be evaluated through the alignment of measurement bases, income-recognition patterns, recorded financing balances, and the presentation of information to financial statement users. Where inconsistencies among these elements are substantiated, they may impair comparability, undermine faithful representation of the transaction's economic substance, and make it more difficult for customers to evaluate their financial obligations. Consistent accounting treatment is therefore an important component of institutional accountability and the quality of governance in Islamic banking.

These concerns become particularly pronounced when customers seek early settlement. Customers who have made several instalment payments may expect their outstanding principal to have declined in proportion to the amount already paid. However, this expectation may differ from the balance presented under the bank's accounting or contractual framework, particularly when customers do not fully understand the distinction between principal repayment, recognised profit, the remaining contractual obligation, and the settlement amount after any applicable rebate. The discrepancy may become more pronounced when the bank does not adequately explain the components of the settlement calculation or the conditions governing profit rebates. From an institutional economics perspective, such circumstances may increase information costs and weaken perceptions of procedural fairness. From a financial consumer-protection perspective, transparent settlement calculations are necessary to enable customers to assess the economic consequences of their contracts. Nevertheless, perceived unfairness must be distinguished from unfairness established through numerical or normative analysis. The assessment of an early-settlement amount should therefore be based on a reconstruction of the instalment schedule, verification of the outstanding obligation, evaluation of any profit rebate, and examination of compliance with the contractual and regulatory framework.

Previous studies have examined annuity and proportionate methods in Islamic financing from accounting, legal, and Islamic economic perspectives. Sugiarti et al. compare the two methods in relation to profit calculations, legal foundations, and accounting standards (Sugiarti *et al.*, 2022) . Birton et al. examine the *maṣlaḥah* underlying murābaḥah financing and the annuity method through the intellectual framework of Ibn ʿĀshūr (Birton, Jingga and Muttaqin, 2026). Rahmatillah and Setiyaningsih likewise examine annuity-based income recognition from the perspective of Ibn ʿĀshūr's *maqāṣid al-sharīʿah* (Rahmatilah and Setiyaningsih, 2021), while Putri et.al specifically examines the fulfilment of justice in the application of the annuity method to murābaḥah financing (Putri, Mujib and Eriyanti, 2023). Meanwhile, Suretno and Yusuf provide a relevant basis for understanding public perceptions of Islamic banking (Suretno and Yusuf, 2021). Collectively, these studies demonstrate that murābaḥah income recognition is not merely a technical accounting issue; it is also connected to distributive justice, public welfare, contractual transparency, and customer protection. Nevertheless, the relationship between margin determination, instalment-component allocation, and early-settlement calculations warrants further integrated empirical examination. In particular, further research is needed

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to move beyond normative comparisons of annuity and proportionate methods and reconstruct how their implementation affects outstanding balances and settlement amounts in actual financing arrangements.

To address this research gap, the present study investigates murābaḥah margin calculations at a national Islamic bank, anonymised as Bank XYZ. Its primary focus is to identify and evaluate potential inconsistencies between the flat method used to determine the contractual margin and the annuity method used to allocate instalment components. The study develops an integrated analysis across three dimensions. First, the accounting-methodological dimension examines the consistency among selling-price determination, principal and profit allocation, and income recognition. Second, the financial-contractual dimension investigates the implications of instalment allocation for the measurement of outstanding obligations and early-settlement calculations. Third, the institutional and Islamic economic ethics dimension examines the implications of calculation transparency for fairness, customer protection, and institutional accountability. Integrating these dimensions allows the study to distinguish technical differences in instalment allocation from substantive inconsistencies in financial measurement and deficiencies in information disclosure. Accordingly, the study's novelty does not rest solely on examining the combination of two calculation methods, but on reconstructing the relationship between income-recognition policies, early-settlement consequences, and fairness considerations within an actual banking context.

Against this background, the study aims to analyse the calculation of murābaḥah profit margins at Bank XYZ, evaluate the consistency between the margin-determination method and instalment-allocation method under the applicable Sharia and accounting frameworks, and examine the implications for the measurement of early-settlement obligations. It also investigates how discrepancies between customer expectations and the bank's settlement calculations may shape perceptions of affordability, financing-cost fairness, and the credibility of Islamic banking. Theoretically, the study contributes to the literature on Islamic accounting and finance by connecting income-measurement consistency, contractual financial obligations, and the principle of justice in murābaḥah financing. Practically, its findings are expected to inform efforts to improve calculation transparency, standardise settlement procedures, strengthen financial consumer protection, and enhance accountability in Islamic banking governance. These contributions are important because the legitimacy of Islamic financing depends not only on formal compliance with contractual requirements but also on consistent implementation, intelligible financial disclosure, and the institution's ability to explain the economic consequences of financing arrangements to its customers.

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Literature Review

A. Murābaḥah Financing in Islamic Banking

The institutional development of Islamic banking in Indonesia can be traced to the establishment of Bank Muamalat Indonesia in 1991, which commenced operations in 1992(OJK, 2020). Although this milestone marked the emergence of Indonesia's modern Islamic banking industry, it should not be interpreted as conclusive evidence that murābaḥah financing was first introduced in the same year. The historical development of Islamic banking institutions and the adoption of specific financing contracts constitute related but analytically distinct processes.

Conceptually, murābaḥah is a sale-based financing arrangement in which the seller explicitly discloses the acquisition cost of the goods to be sold and subsequently enters into a transaction with the buyer at an agreed price that incorporates a predetermined profit margin(Ilter, 2012). In practice, murābaḥah is often regarded as a relatively straightforward contractual arrangement because it involves the transfer of an asset from the seller to the buyer under agreed terms. The contract promotes transparency by requiring disclosure of the acquisition cost and profit margin at the outset of the transaction, while also facilitating trade through deferred-payment arrangements (Mokal *et al.*, 2024).

B. Murābaḥah Pricing and Profit-Allocation Methods

The distinction between contractual pricing and accounting profit recognition is also reflected in the international literature. Ahmed et al. compared IFRS-based reporting with AAOIFI accounting standards and identified differences in the treatment of murābaḥah profit allocation (Ahmed, Sabirzyanov and Rosman, 2016). Their analysis highlights a fundamental tension between accounting approaches that emphasise the economic substance of financing and those that place greater weight on the contractual and Sharia-specific characteristics of the transaction. In this context, the effective-interest-rate approach and straight-line allocation should be understood as accounting measurement or allocation approaches rather than interchangeable formulas for determining the contractual selling price.

This distinction is essential when evaluating arrangements that combine flat-based pricing with annuity-based instalment allocation. The presence of different calculation techniques does not, by itself, demonstrate an inconsistency; the relevant question is whether each technique serves a clearly defined purpose and whether the resulting contractual and accounting balances can be reconciled. Accordingly, this study examines the selling price, instalment schedule, income-recognition pattern, and outstanding receivable as separate but interconnected components of murābaḥah financing**.**

C. Sharia Governance and the Regulatory Framework

Murābaḥah transactions in Indonesia operate within a regulatory framework comprising statutory provisions, financial-sector regulations, accounting requirements, and Sharia guidance issued by the National Sharia Council of the Indonesian Ulema Council.

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These instruments perform different functions and must therefore be examined in relation to their respective legal and normative status.

Relevant DSN-MUI fatwas include Fatwa No. 04/DSN-MUI/IV/2000 on Murabahah; Fatwa No. 13/DSN-MUI/IX/2000 on Down Payments in Murabahah; Fatwa No. 16/DSN-MUI/IX/2000 on Discounts in Murabahah; Fatwa No. 17/DSN-MUI/IX/2000 on Sanctions for Customers Who Are Able to Pay but Delay Payment; Fatwa No. 23/DSN-MUI/III/2002 on Discounts for Early Settlement in Murabahah; and Fatwa No. 84/DSN-MUI/XII/2012 on Methods of Recognizing Profit in Tamwil bi al-Murabahah at Islamic Financial Institutions. Fatwa No. 111/DSN-MUI/IX/2017 on Murabahah Sale Contracts is also relevant to the contractual foundations of the transaction (DSN, 2015).

The applicability of these fatwas must be established through verification of their official titles, numbers, dates, and substantive provisions. This is particularly important when assessing early settlement, outstanding obligations, and profit recognition, because distinct fatwas may govern different aspects of the transaction. A reference to a fatwa concerning debt settlement, for example, should not be treated as equivalent to a provision specifically addressing early-settlement discounts.

The legal status of DSN-MUI fatwas also requires careful qualification. A fatwa should not be treated as automatically equivalent to every form of statutory regulation, nor should it be dismissed as having no regulatory relevance. In Indonesia's Islamic financial system, DSN-MUI fatwas provide normative guidance on Sharia compliance and may acquire regulatory significance through the applicable statutory and supervisory framework. An assessment of compliance must therefore identify the relevant regulatory instruments, their applicability during the transaction period, and the relationship between Sharia provisions and accounting requirements.

Fatwa No. 84/DSN-MUI/XII/2012 is particularly pertinent because it addresses methods for recognizing murābaḥah profit. Nevertheless, its interpretation should be considered alongside the accounting standards and regulatory requirements applicable to the transaction under investigation. This integrated approach is necessary to distinguish potential contractual issues from accounting measurement differences or inconsistencies in the implementation of early-settlement provisions.

For the purposes of this study, the regulatory framework functions as a normative benchmark against which the bank's documented practices are evaluated. The analysis does not presume non-compliance merely because different calculation methods are employed. Instead, it examines whether the methods are appropriate for their intended purposes and whether their application can be reconciled with the relevant contractual, accounting, and Sharia requirements.

D. Accounting Treatment of Murābaḥah Profit

Accounting treatment is central to the evaluation of murābaḥah financing because the transaction must be appropriately recognized, measured, presented, and disclosed in financial statements. The historical development of Indonesia's murābaḥah accounting

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framework reflects efforts to align financial reporting practices with the specific characteristics of Islamic sale-based financing.

PSAK 102 on Murabahah Accounting was issued by the Indonesian Institute of Accountants in 2007, replacing the earlier treatment of murābaḥah within PSAK 59 (IAI, 2007) . Subsequent revisions and interpretations addressed changes in the accounting and Sharia regulatory environment, including the relationship between profit-recognition methods and DSN-MUI Fatwa No. 84/DSN-MUI/XII/2012.

E. Research Gap and Contribution

Existing normative and accounting frameworks provide a foundation for understanding murābaḥah contracts, profit-recognition methods, and the accounting treatment of receivables. In particular, DSN-MUI Fatwa No. 84/DSN-MUI/XII/2012 and the relevant accounting guidance establish the importance of examining how profit-recognition methods are implemented in Islamic financial institutions. However, the existence of these frameworks does not, in itself, establish how pricing, instalment allocation, income recognition, and early-settlement calculations are integrated in actual banking practice.

The principal unresolved empirical issue addressed by this study is whether the simultaneous use of a flat-based contractual margin and an annuity-based instalment-allocation pattern produces a consistent relationship among the agreed selling price, recognized financing income, recorded receivable, and amount payable upon early settlement. This issue cannot be resolved solely through a conceptual comparison of flat and annuity methods. It requires transaction-level evidence that permits the reconstruction and reconciliation of the relevant contractual and accounting amounts.

Accordingly, this study investigates the murābaḥah financing practices of Bank XYZ through an integrated examination of contractual documents, instalment schedules, accounting records, payment histories, and early-settlement calculations. The documented practices are assessed against the accounting standards, Sharia provisions, and regulatory requirements applicable to the relevant transaction period.

The study contributes in three respects. First, it provides an accounting-based analysis of the relationship between contractual pricing, instalment allocation, and income recognition in murābaḥah financing. Second, it examines the implications of these practices for the transparency and reconciliation of outstanding obligations in early-settlement transactions. Third, it contributes to the discussion of Sharia governance and financial consumer protection by identifying the documentary evidence required to evaluate the consistency of bank practices with applicable requirements.

Importantly, the study does not presume that the combination of flat and annuity methods necessarily constitutes Sharia non-compliance or results in customer losses. Instead, it evaluates whether the methods are applied consistently with their respective purposes and whether any differences in the resulting balances can be explained and reconciled. This evidence-based approach enables the research to distinguish between

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methodological differences, accounting discrepancies, contractual ambiguities, and potential instances of non-compliance.

Research Methodology

A. Research Design

This study employed a qualitative single instrumental case study design (Creswell and Creswell, 2017) to examine the relationship between murābaḥah margin determination, instalment allocation, profit recognition, and the calculation of outstanding obligations upon early settlement. Bank Syariah XYZ was selected as an instrumental case to investigate these interconnected practices within their institutional and contractual context. The case originated from complaints by two customers concerning financing margins and early settlement calculations. These complaints served as initial indicators for further investigation rather than conclusive evidence of accounting errors or Sharia non-compliance. The study therefore triangulated interview accounts, transaction documents, and applicable accounting and regulatory requirements. Its contribution lies in analytical generalisation concerning potential mechanisms and inconsistencies, rather than statistical representativeness of the wider Islamic banking sector.

B. Case Selection and Participants

The case was purposively selected based on its relevance to the research questions, access to financing and accounting documents, and the availability of informants with direct knowledge of the practices under investigation. Five informants were identified: a branch manager, the head of accounting and operations, a financing officer, and two customers who had raised concerns about murābaḥah financing. Institutional informants provided information on financing policies, margin determination, instalment schedules, and accounting procedures, while customer informants described their contractual experiences and concerns about early settlement. The two customers were not treated as representative of the bank's customer population; their accounts were examined alongside documentary and institutional evidence.

C. Data Collection

Data were collected through semi-structured interviews, direct observation, and document analysis. Interviews explored five themes: (1) selling-price and margin determination; (2) instalment allocation; (3) accounting recognition of murābaḥah income; (4) calculation of outstanding obligations; and (5) early settlement procedures. Customer

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interviews focused on their understanding of the agreed margin, information received at contract formation, the basis of their complaints, and explanations provided by the bank. Direct observation was conducted over five working days to obtain contextual insight into relevant operational procedures. Documentary sources included murābaḥah contracts, instalment schedules, accounting simulations, and relevant financial statements. PSAK 102, PAPSI 2013, and other potentially relevant accounting standards and regulatory documents were examined as normative benchmarks rather than empirical data. Their applicability was assessed in relation to the transaction period and the scope of each provision; standards concerning financial instruments were not presumed to govern murābaḥah margin calculations directly.

D. Data Analysis and Credibility

Data were analysed using qualitative descriptive analysis and systematic documentary comparison. The analytical process comprised data organisation, coding, transaction reconstruction, normative comparison, and interpretation. Initial coding categories included pricing, instalment allocation, income recognition, outstanding balance, and early settlement. The transaction was reconstructed by tracing the relationship between the contractual selling price, instalment schedule, recorded payments, recognised income, and outstanding obligations. These findings were then compared with the applicable contractual, accounting, Sharia, and regulatory requirements.

Credibility was strengthened through methodological triangulation across interviews, observations, and documents. For example, claims concerning annuity-based income recognition were checked against accounting simulations and instalment schedules, then assessed against the relevant accounting requirements. Discrepancies were investigated and classified according to their evidential basis, distinguishing methodological differences, arithmetic inconsistencies, documentary limitations, and potential compliance concerns. Numerical differences were not automatically interpreted as evidence of misconduct or non-compliance. Where the available evidence was insufficient, conclusions were qualified accordingly.

Results and Discussion

A. Murābaḥah Pricing and the Combination of Flat and Annuity Methods

Murābaḥah financing at Bank Syariah XYZ was offered for various purposes, including consumer purchases, working capital, and home financing. The 2017 transaction records examined in this study indicate a distinction between the method used to determine the contractual selling price and the method used to allocate instalments between principal and profit. The bank calculated the contractual profit using a flat-rate formula, while the

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instalment schedule presented a declining profit component and an increasing principal component resembling an annuity-based amortisation pattern. This practice raises an important analytical question: whether the contractual price calculation, instalment allocation, and accounting recognition were applied consistently with one another and with the requirements applicable at the time.

The illustrative transaction concerned a customer seeking murābaḥah financing to acquire oil-palm plantation land. The reported asset cost was IDR 155,000,000, the stated annual margin rate was 10%, and the financing tenor was 15 years. Using the bank's stated flat-rate formula, the total contractual margin was calculated as IDR 232,500,000, producing a selling price of IDR 387,500,000 and a nominal monthly instalment of approximately IDR 2,152,778 over 180 months, before considering any final rounding adjustments.

The case illustrates why the three analytical dimensions must be distinguished. First, the *pricing method* determines the agreed selling price and total contractual profit. Second, the *instalment allocation method* determines how each payment is divided between the outstanding principal and the profit component. Third, the *accounting recognition method* determines when and how the profit is recognised in the financial statements. A declining profit allocation does not, by itself, demonstrate that the contractual margin was calculated using an annuity method. Similarly, the use of an annuity-like allocation schedule does not establish that the underlying accounting treatment complies with the applicable standard.

This distinction is consistent with the broader accounting debate on murābaḥah. In their critique of murābaḥah accounting, A critique on accounting for murabaha contract, the authors compare IFRS-based measurement with AAOIFI-based accounting and highlight differences in the treatment of contractual form, economic substance, and profit allocation. Their analysis demonstrates that the accounting basis adopted can affect how financing transactions are represented in financial statements. However, it does not establish that every combination of flat pricing and annuity-based allocation is necessarily impermissible. That conclusion requires transaction-specific evidence and an assessment of the relevant regulatory framework.

Research on murābaḥah pricing in Indonesia also provides a relevant comparison. Saputra and Muhammad (2023), in *Analysis of Pricing in Murabahah Contract on Islamic Bank*, examine pricing practices at an Indonesian Islamic bank and identify concerns about the relationship between murābaḥah pricing and conventional interest-rate benchmarks. Their findings reinforce the importance of examining the basis of price determination rather than relying solely on the label attached to a financing product. The present case extends this discussion by examining not only the pricing formula but also its relationship with instalment allocation, accounting recognition, and early settlement.

B. Numerical Comparison and the Need for a Consistent Basis

The bank's flat-rate calculation produces a total contractual margin of IDR 232,500,000 on an asset cost of IDR 155,000,000 over 15 years. A separate annuity simulation in the original records uses a financing base of IDR 156,550,000, which includes an additional IDR 1,550,000 administrative charge. Using an annual rate of 10%, divided

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into monthly periods, over 180 months, the standard annuity formula produces an instalment of approximately IDR 1.68 million per month. The resulting total payments are approximately IDR 302.1 million, subject to rounding and the precise treatment of fees.

The difference between these two illustrations should not yet be interpreted as a definitive measure of customer loss. The calculations use different starting amounts: IDR 155,000,000 for the flat-rate illustration and IDR 156,550,000 for the annuity simulation. Moreover, the original records need to be checked to determine whether the administrative charge is a direct transaction cost, a separately charged service fee, or an amount payable to another party. These classifications may affect the appropriate calculation base, depending on the applicable accounting requirements and contractual arrangements.

A valid comparison must therefore hold the financing principal, fee treatment, annual rate, tenor, payment frequency, and rounding conventions constant. It must also distinguish the agreed selling price from an alternative financing simulation. An annuity calculation based on a 10% annual rate does not necessarily reproduce the contractual economics of a murābaḥah sale whose selling price and total profit have already been agreed. Consequently, the difference between the two totals is a comparison between alternative calculation scenarios, not automatically evidence that the bank overcharged the customer.

C. Accounting Treatment and Regulatory Consistency

The regulatory analysis must distinguish Sharia permissibility from accounting measurement and regulatory compliance. DSN-MUI Fatwa No. 84/DSN-MUI/XII/2012 addresses the methods of recognising murābaḥah income and provides the relevant Sharia framework for the use of proportional or annuity-based recognition. PAPSI 2013 should be examined alongside the fatwa to determine the requirements applicable to the bank during the 2017 transaction period. The wording and scope of the original documents must be verified before concluding whether the bank was required to apply one recognition method consistently across its murābaḥah portfolio.

The accounting framework also requires historical precision. PSAK 102 was the relevant Indonesian standard specifically addressing murābaḥah accounting during the period under examination, subject to the applicable version and its scope. PSAK 55, PSAK 50, and PSAK 60 concern financial-instrument recognition and measurement, presentation, and disclosure, respectively, within their applicable scopes. Their relevance to this case must therefore be established provision by provision rather than assumed merely because the bank used an annuity-based allocation schedule.

This distinction is supported by the wider literature on Islamic financial reporting. The comparative analysis in *A critique on accounting for murabaha contract* highlights the challenges of reconciling the legal structure of murābaḥah with accounting approaches that measure financing through amortised cost and effective-rate allocation (Ahmed, Sabirzyanov and Rosman, 2016). The implication for the present study is methodological: the researcher must identify the specific accounting treatment actually applied, determine which standard governed that treatment in 2017, and compare the documented practice

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DOI: https://doi.org/10.21107/dinar.v8i2.9954 ISSN: 2580-3565 (Online)

with the applicable requirement. A difference between the contractual pricing formula and the accounting allocation pattern may warrant further investigation, but does not alone establish a breach of Sharia or accounting rules.

Accordingly, the key empirical issue is whether Bank XYZ consistently applied and disclosed its selected profit-recognition method and whether its transaction records, instalment schedules, and financial reporting were consistent with the requirements then in force. This approach avoids conflating a potentially questionable pricing practice with an independently established accounting violation.

D. Implications for Customers and Early Settlement

The financial implications for customers should be assessed through two separate forms of evidence: calculated payment outcomes and customer perceptions. The transaction records can establish the contractual selling price, instalments paid, recorded profit allocation, and outstanding obligation. Interviews, by contrast, can establish how customers understood the agreed margin, what information they received, and why the early settlement amount differed from their expectations. Neither type of evidence should be used as a substitute for the other.

The two customer complaints in this case suggest that the relationship between the agreed margin and the outstanding obligation was not fully understood by the customers concerned. However, these accounts do not establish that all customers experienced the same problem or that the bank deliberately withheld information. Such conclusions would require additional documentary evidence and corroboration. The more defensible interpretation is that the case raises a question about the adequacy of explanations provided to customers regarding the contractual selling price, instalment composition, and early settlement calculation.

This issue is particularly important because the total contractual profit and the outstanding obligation at an interim date are different measures. A fixed selling price establishes the contractual amount payable, whereas the calculation of an early settlement amount may depend on the contract, applicable Sharia provisions, relevant regulations, and any permitted rebate (*ibra'*). The outstanding amount should therefore be reconstructed from the actual transaction records and the applicable settlement rules, rather than inferred solely from the proportion of profit contained in early instalments.

The study's contribution is thus not to conclude that annuity-based recognition necessarily disadvantages customers, but to demonstrate why transparent disclosure and consistent calculations matter. Customers need comprehensible information about the agreed selling price, the amount and timing of instalments, the allocation of payments, and the method used to calculate early settlement. For the bank, reconciling these elements would support accounting consistency, customer understanding, and the reduction of potential disputes.

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Contribution and Research Implications

Previous research has examined murābaḥah pricing, accounting treatment, and the relationship between Islamic financing contracts and financial reporting. Saputra and Muhammad focus on the pricing practices of an Indonesian Islamic bank (Saputra and Muhammad, 2023), while *A critique on accounting for murabaha contract* examines broader differences between IFRS-based and AAOIFI-based accounting approaches (Ahmed, Sabirzyanov and Rosman, 2016). These studies establish the importance of pricing transparency and the accounting representation of murābaḥah transactions.

The present case adds a transaction-level perspective by tracing the relationship between the flat-rate formula used to determine the contractual margin, the allocation pattern presented in the instalment schedule, and the calculation of obligations upon early settlement. Rather than assuming that the combination of methods necessarily causes excessive financing costs, the analysis identifies the evidence required to determine whether the methods were applied consistently and what measurable consequences followed for the customer.

The findings are specific to the documented case and should not be generalised to the entire Indonesian Islamic banking sector. Nevertheless, they identify an analytical framework that can be applied in comparative studies: standardising the financing base and fee treatment, reconstructing the contractual and accounting calculations, testing the outstanding balance at selected repayment dates, and comparing early settlement amounts under the applicable rules. Such research could clarify whether similar inconsistencies occur across institutions and how they relate to accounting practice, regulatory compliance, and customer protection.

Conclusion

The findings reveal a discrepancy between the annuity method specified in Bank "XYZ"'s financing platform and the observed practice, which combines flat-based instalment calculations with annuity-based allocations of principal and margin. This discrepancy highlights the need to assess the consistency of financing calculations, contractual documentation, and accounting records. Although PAPSI 2013 provides for the consistent application and disclosure of an income-recognition method, determining regulatory non-compliance requires further examination of the applicable provisions, accounting policies, and transaction-level evidence. The findings should therefore be interpreted as evidence of potential methodological inconsistency rather than conclusive proof of regulatory or Sharia non-compliance.

Bank "XYZ" should review its pricing and income-recognition procedures, align its financing platform with contractual and accounting records, and strengthen disclosure of the agreed margin, instalment structure, outstanding obligations, and early-settlement calculations. Periodic internal reviews are also necessary to identify discrepancies and improve transparency and accountability in murābaḥah financing.

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Future research should compare flat and annuity approaches across multiple Islamic banks in Indonesia using consistent financing assumptions and cost components. The analysis should focus on total financing costs, margin allocation, outstanding principal, and early-settlement amounts. This approach would clarify the financial implications of each method while distinguishing numerical differences from demonstrable customer losses or regulatory violations.

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