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## RECOMMENDATIONS FOR THE APPLICATION OF ISLAMIC BOARDING SCHOOL ACCOUNTING GUIDELINES (PAP) ON THE RECORDING AND PRESENTATION OF AB ISLAMIC BOARDING SCHOOL FINANCIAL STATEMENTS

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# RECOMMENDATIONS FOR THE APPLICATION OF ISLAMIC BOARDING SCHOOL ACCOUNTING GUIDELINES (PAP) ON THE RECORDING AND PRESENTATION OF AB ISLAMIC BOARDING SCHOOL FINANCIAL STATEMENTS

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## ABSTRACT

This research aims to evaluate the recording and presentation of financial statements in Pondok Pesantren AB at present, and to provide suggestions for improvement in the recording and presentation of financial statements in Pondok Pesantren AB in South Sumatra, in accordance with the Accounting Guidelines for Pesantren established by the Indonesian Institute of Accountants (IAI) and Bank Indonesia. Considering that the Accounting Guidelines for Pesantren were only issued in 2018, their implementation is still not widespread in Indonesia, especially in pesantrens located in remote areas. There is a concern that problems may arise in the future due to the lack of separation between the assets of the Founder and the foundation, the simplicity of the financial statements produced, and the commingling of cash flows from the Founder, Dormitory, and Madrasah. This research uses a qualitative descriptive method with data instruments including document analysis, interviews, and Focus Group Discussions. The recommended implementation in this study follows the Accounting Guidelines for Pesantren (PAP) issued by the IAI in 2018. The results of this research provide an evaluation of the current recording and presentation of financial statements in Pondok Pesantren AB, as well as recommendations for the implementation of recording and presentation of financial statements in accordance with the Accounting Guidelines for Pesantren (PAP).

**Keywords:** *Islamic Boarding School Accounting Guidelines, Accountability, Stakeholders, Records, Financial Reports*

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## **1. INTRODUCTION**

Indonesia is a country where the majority of its population practices Islam. The number of Muslims in Indonesia amounts to 237.53 million people (Ministry of Home Affairs, 2021). However, the reality is that the level of Sharia financial literacy in Indonesia is significantly low, at only 9.14%, lagging far behind the conventional financial literacy rate, which reaches 49.68%. Similarly, Sharia financial inclusion stands at 12.12%, significantly lower than the conventional financial inclusion rate of 85.10% (Financial Services Authority, 2022). Statistically, the Ministry of Religious Affairs notes that the current number of pesantren throughout Indonesia has reached approximately 36,600. Active santri number around 3.4 million, while the educators (kiai/ustad) total 370 thousand (Ministry of Religious Affairs of Indonesia, 2022). These days, despite the issuance of the Accounting Guidelines for Pesantren (PAP) by the Indonesian Institute of Accountants in 2018, many pesantren have yet to implement these guidelines in their financial reporting. Research conducted by Munggaran & Hastuti (2020) found that Pondok Pesantren Daarul Halim still presents financial reports in a rudimentary manner and lacks a comprehensive accounting system.. In another instance, Dewi, Iwan & Shinta (2021) mentioned that Al-Mujaddadiyah Pesantren in Madiun has not documented its owned assets, hence failing to allocate depreciation costs for these assets. Arnianti (2022) reported that XYZ Pesantren in Central Sulawesi records and presents financial reports using a simple format, only registering expenses and income. From the various studies conducted, it's evident that many pesantren in Indonesia are not yet optimized and, in some cases, are not familiar with applicable accounting standards. Pondok Pesantren AB is considered significant as the research subject because it not only conducts teaching and learning activities but also receives contributions such as infaq, wakaf, donations, and zakat from various sources, which need to be recorded based on applicable standards. This research aims to evaluate the situation based on the conceptual framework of the Accounting Guidelines for Pesantren (PAP) issued by the IAI in 2018.

This research's novelty lies in explaining the urgency, motivation, and benefits of PAP, generating interest in the AB Pesantren to implement it. It examines all issues and obstacles in the implementation of PAP and provides recommendations for financial reporting. The researchers aim to triangulate data collected from stakeholder interviews and document analysis to produce a more comprehensive discussion. Therefore, the research findings should align with the pesantren's circumstances and offer valuable recommendations to fulfill the vision and mission of the AB Pesantren in educating the nation's children. This research aims to provide assistance to the AB Islamic Boarding School administrators in preparing financial reports in accordance with the applicable Islamic Boarding School Accounting Guidelines (PAP). With this assistance, it is hoped that Islamic boarding school administrators can manage finances more effectively and efficiently, as well as increase the reliability of financial records. The reliability of accurate and trustworthy financial records will make it easier for administrators to run the Islamic boarding school management. Therefore, researchers are interested in conducting further studies at the AB Islamic Boarding School.

## **2. LITERATURE REVIEW**

### **2.1 ACCOUNTABILITY**

Accountability is the organizational obligation to be held responsible for the implementation of missions, goals and objectives through periodic reporting (Masdiasmo, 2006). According to Bovens (2007), accountability involves the relationship between actors and the forum in which they are responsible for explaining

their actions, which involves assessment and consequences. The concept of accountability has evolved to encompass the ability of a body or institution to report administrative responsibilities, including financial reporting (Ahyar, 2020). Regarding the concept of social accountability in Islam, there is a principle of full disclosure. Six verses in the Qur'an refer to 'relevance', one meaning of which is the disclosure of all facts (Surah Al-Baqarah, verse 71) ". . . now you have brought the truth . . ." In addition, based on Surah An-Nisa, verse 135, ". . . be maintainers of justice . . ." which is essentially an instruction to refer to issues "as they are" in all matters. Financial information becomes relevant in the Islamic perspective only when it encompasses the attribute of 'truth'; that is, fair and accurate disclosure of all issues (Lewis, 2001).

## **2.2 STAKEHOLDER THEORY**

Stakeholders are individuals or groups who have interests in or can be affected by an organization's activities or decisions. They have rights and expectations towards the organization and play a crucial role in its success and sustainability (Freeman, 1984). Stakeholder theory emphasizes that there are multiple interests that institutions must fulfill (Kochan & Rubinstein, 2000). In this context, institutions are considered to display social responsibility in considering and meeting the interests of all involved stakeholders. Accountability cases in the public sector involve a larger number of interests as there are many stakeholders to consider, which can lead to unavoidable conflicts or competing interests, making accountability less of a priority certain parties (Siswatoro, 2016).

There are three aspects of stakeholder-related accountability: upward, downward and internal (Ebrahim, 2005). Non-profit organizations are beholden to multiple layers of accountability. Firstly, their upward accountability towards donors demands transparency in the allocation of resources received, ensuring that donor funds are utilized as intended. This involves the provision of relevant financial reports, maintaining trust by aligning programs with agreed-upon objectives. Equally significant is the downward accountability towards beneficiaries. These organizations must deliver reports reflecting the impacts and outcomes of implemented programs, respecting the rights and needs of those they serve. Ensuring effective programs that tangibly benefit recipients becomes pivotal. Lastly, maintaining internal accountability is vital, encompassing transparent decision-making, resource management, and alignment with the organization's mission. Clear understanding and involvement of the staff in pertinent decision-making processes are crucial aspects of this internal accountability.

Considering these three aspects of accountability, non-profit organizations can maintain a good relationship with donors, provide significant benefits to beneficiaries, and uphold the internal integrity of the organization. Being accountable to stakeholders is crucial to ensure that non-profit organizations operate with transparency, effectiveness, and sustainability in achieving their mission objectives.

## **2.3 ACCOUNTING GUIDELINES FOR ISLAMIC BOARDING SCHOOLS**

The Pesantren Accounting Guidelines serve as a comprehensive framework outlining financial management and performance measurement for pesantren. It encompasses resource management, financial reporting, and best accounting practices. The primary objective of these guidelines is to ensure accurate and transparent financial performance measurement, fulfilling reporting obligations and accountability, thus ensuring stakeholders and government accountability. The guidelines assure compliance with applicable accounting standards and provide reliable financial information, aiding in making informed business decisions and more effective resource management. Bank Indonesia (BI), in collaboration with the Indonesian Institute of Accountants (IAI), established the PAP on May 28, 2018. IAI and BI issued accounting guidelines for

pesantren based on the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP) by the IAI Financial Accounting Standards Board, the Financial Accounting Standards Statements (PSAK), and the Interpretation of Sharia Financial Accounting Standards (ISAK) issued by the IAI Sharia Accounting Standards Board. The choice to refer to SAK ETAP is due to the significant value of assets managed by Pesantren, primarily the substantial permanent waqf assets such as land.

In support of empowering the economic status of Pesantren, the IAI and BI published the Pesantren Accounting Guidelines. The collaboration aimed to facilitate the preparation of financial reports by Pesantren in line with prevailing accounting standards in Indonesia. The guidelines' purpose and scope include:

a. Supporting Pesantren's economic empowerment in compiling financial reports according to prevailing accounting standards in Indonesia.

b. Providing flexible accounting guidance in financial report preparation, considering their uniqueness and characteristics.

c. Focusing the application of these guidelines on pesantren foundations as entities fundamental to educational activities and resource management.

d. Notably, these guidelines are not intended for separate business entities owned by pesantren foundations, such as limited liability companies.

The Pesantren Accounting Guidelines (PAP) have been issued to offer adequate accounting guidance for pesantren in preparing financial reports. In their formulation, the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP) is used as a reference. The selection of SAK ETAP is based on the significant value of assets managed by Pesantren, primarily the permanent waqf assets like land. The Pesantren Accounting Guidelines are based on SAK ETAP by the IAI Financial Accounting Standards Board, as well as PSAK and Sharia ISAK by the IAI Sharia Accounting Standards Board. In 2020, PAP was improved, aligning with PSAK No. 112, governing waqf and others. It's expected that these guidelines will support the independent economic sustainability of pesantren and enhance Sharia economics development in Indonesia (Sonia and Hastuti, 2020). The entire process of preparing financial reports must adhere to the established PAP concerning recognition, measurement, and presentation aspects (IAI and BI, 2018).

## **2.4 PREVIOUS RESEARCH**

Previous research related to the Accounting Guidelines for Pesantren shows that Al-Matuq Sukabumi Pesantren has been assisted by the Zahir Accounting and Assistant accounting application systems, but it was found that the pesantren has not consistently implemented the Pesantren Accounting Guidelines (Suherman, 2019). In the case of Sabilurrosyad Pesantren, it was found that there are still needs that need to be considered in the preparation of financial reports in order to comply with PAP (Sulistiani, 2020). In the context of Al-Mujaddadiyyah Pesantren in Madiun, it was found that not all assets were properly recorded in the financial reports, resulting in the absence of depreciation allocation for them (Dewi, Iwan, & Shinta, 2021). In the case of the Islamic Center Mu'adz Bin Jabal Kendari, the pesantren has not been able to implement the Pesantren Accounting Guidelines in presenting financial reports, such as the Statement of Financial Position, Statement of Activities, Cash Flow Statement, and Notes to the Financial Statements, which are presented annually based on the Hijri or Gregorian calendar (Nurdin, Labangu, & Ismail, 2020). As for XYZ Pesantren (anonymous), the Islamic Center Mu'adz Bin Jabal Kendari has prepared financial reports, but the focus has only been on monthly income and expenses (Arnianti, 2022). The previous research did not explain comprehensive recommendations for implementing the Pesantren Accounting Guidelines in financial reports, addressing all aspects of financial reporting and management in pesantren. Therefore, further research is focused on providing a more

detailed and comprehensive guideline explanation to address the specific needs and characteristics of pesantren.

### **3. METHODS**

#### **3.1 RESEARCH STRATEGY**

This research adopts a case study strategy. A case study involves studying the particularities and complexities of a single case to understand the activities within that context significantly (Stake, 1995). In this context, the case study is used to gain a comprehensive understanding of the activities occurring in a significant context and to draw conclusions or solutions from that case. A case study is conducted in this research as the aim is to delve into the phenomenon of non-implementation of the Pesantren Accounting Guidelines by Pesantren AB. The study views the case as a contemporary phenomenon that can be addressed through problem-solving identified during the research. It is carried out in real-life conditions, using data sources and theories as the research framework. Hence, the case study research strategy is employed in this study. This research falls under the category of problem-solving case study as it aims to evaluate the current financial reporting record-keeping and presentation at Pesantren AB. Additionally, it aims to propose improvements in the financial reporting record-keeping and presentation at Pesantren AB by using the Pesantren Accounting Guidelines as the research object. The research constitutes a single case study. The research object is Pesantren AB, treated as a single unit of analysis. The study utilizes a qualitative research approach (qualitative method).

#### **3.2 ACCESS**

The researcher contacted the boarding school located in South Sumatra to obtain permission to access Pondok Pesantren AB for the study, considering that the required documents for this research consist of sensitive data from the research object. The researcher explained the purpose of the study and emphasized to the relevant authorities the commitment to maintaining the confidentiality of the informants and ensuring the anonymity of the boarding school. The boarding school granted access for the research based on the anonymity proposed by the researcher to conduct interviews and access internal documents related to the financial cycle of Pondok Pesantren.

#### **3.3 DATA COLLECTION**

A qualitative research approach was utilized, with research instruments consisting of primary and secondary data. The study incorporates data obtained from the research object, as well as from practitioners and academics. Data collection techniques included analysis of financial report documentation from 2021 to 2022 (secondary data), interviews (primary data in the form of interview transcriptions), and focus group discussions (FGD) (primary data in the form of FGD outcomes).

#### **3.4 DATA ANALYSIS**

The data analysis utilized in the study is descriptive qualitative analysis. Yin (2015) states that data analysis in qualitative research consists of five stages. First, the Compiling Stage, which involves collecting data from documents, PAP, and interviews with various sources. These data are compiled into a database for further analysis. The Disassembling Stage then involves separating the data based on their sources and assigning new labels according to their sources. Third, in the Reassembling Stage the data are regrouped based on substantive themes to form a more comprehensive overview, while the Interpretation Stage involves narrative interpretation of the data and analysis

to generate new information described descriptively. Finally, in the Conclusion Stage conclusions are drawn based on the descriptive qualitative analysis.

Qualitative descriptive analysis in this study was conducted using the PAP conceptual framework in two stages. The first stage involved separate document analysis and interviews to identify potential causes of issues in the recording and presentation of financial reports and to evaluate the implementation of PAP at Pondok Pesantren AB. In the second stage, the FGD findings were analyzed to develop a proposed design for improving the recording and presentation of financial reports at the pesantren. These two analyses were combined and elaborated using the qualitative descriptive analysis method to identify the causes of the issues and potential solutions.

### 3.5 TRUSTWORTHINESS

To ensure the rigor of qualitative research, particularly within the constructivist paradigm and case study method, there are several parameters that need to be adhered to in order to produce sound qualitative research outcomes. Trustworthiness is a concept that refers to the quality of the research being trustworthy and reliable. In qualitative research, trustworthiness is often associated with naturalistic inquiry (Lincoln & Guba, 1985), meaning that the information is deemed reliable in terms of meeting expectations, following commitments, or providing accurate information. Trustworthiness in research is often measured through criteria such as:

1. **Credibility:** this refers to the extent to which research findings can be considered trustworthy and accurate.

Interviews were also conducted with practitioners and academics, namely with the Supreme Audit Agency of the Republic of Indonesia and a lecturer in South Sumatra. By including different sources, we open doors to acquire more accurate and consistent data. Taking diverse perspectives into account allows for a broader understanding and ensures the accuracy of the information obtained. Conducting a literature review and careful examination of existing literature is a crucial step in enhancing the research's credibility. By referencing previous studies, we can reinforce the analysis and arguments presented, providing a solid foundation for the findings and conclusions drawn.

2. **Dependability:** concerning the ability of a study to produce consistent and reliable findings if repeated or replicated.

Evaluate the current financial reporting record-keeping and presentation at Pondok Pesantren AB, Formulate recommendations for implementing the financial reporting record-keeping and presentation at Pondok Pesantren AB in accordance with the Pesantren Accounting Guidelines (PAP), Provide recommendations or suggestions for Pondok Pesantren AB to have financial reporting record-keeping and presentation in line with the Pesantren Accounting Guidelines.

3. **Confirmability:** an important aspect for ensuring that the flow of data can be traced effectively, so that when examined by others, they can do so smoothly.

4. **Transferability:** this refers to the extent to which the research findings can be applied or generalized to different populations or contexts.

**Research Context Description:** The researcher needs to provide a clear description of the research context, including the studied population and relevant context. **Selecting a Representative Sample:** Researchers should choose a representative sample from the studied population so that the research outcomes can be generalized to a broader population. **Using Case Variations:** Researchers need to employ various cases to examine whether the research outcomes can be applied to different contexts or situations. **Maintaining Flexibility in Interpretation:** Researchers should maintain flexibility in interpreting research outcomes to adapt them to different contexts.

#### 4. ORGANIZATIONAL PROFILE

Pondok Pesantren AB in South Sumatra was established in 2002. This Islamic boarding school offers religious education similar to other traditional pesantren, with face-to-face classroom learning and boarding facilities. The Pesantren Accounting Guidelines (PAP) allow for the possibility of boarding schools to have separate business units reporting their finances independently from the overall financial reports of the entire institution. These separate units can take the form of cooperatives, limited liability companies, or other legal entities. Pondok Pesantren AB possesses business units managed by the institution's administrators, with their financial reports presented separately. Each business unit is responsible for reporting the income and expenses it generates, as emphasized by the informant.

Based on the explanation provided by the Treasurer, here is a breakdown of the business units owned by Pondok Pesantren AB. Cooperative, The types of businesses within the cooperative at the IGM Al-Ihsaniyah Palembang boarding school include household equipment, which consists of essential household items highly needed by the students. Office stationery (ATK) comprises writing supplies greatly required by the students. There's also a shop providing prayer items, clothing, headwear, Qur'ans, and basic necessities for the students' religious practices, among other things.

Following the inherited format from previous treasurers, primarily reflect operational activities funded by guardians of the students and donors. The statements provided by the sources only add findings that were not included in the documentation analysis of Pondok Pesantren AB's financial statements. Findings for each transaction and the impact of the implementation of recording and presenting of the financial statements of Pondok Pesantren AB at present are included. These findings were discussed in a Focus Group Discussion (FGD) with representatives of the pesantren, who validated them.

**Table 4. Financial Statement Evaluation Table**

No	Finding
1.	No presentation of financial statements for a reporting period.
2.	Undocumented outstanding student tuition payments.
3.	No recording of the amount of assets owned by the pesantren and asset depreciation.
4.	No presentation of initial cash balance and ending cash balance in each statement.
5.	No classification of cash flow statements into operating, investing and financing categories.
6.	No separation of uncommitted income received by the pesantren.
7.	No classification of uncommitted expenses of the pesantren.

Source: Interview analysis (2022), processed.

Based on the findings obtained by the researcher in the evaluation of the recording and presentation of the financial statements of Pondok Pesantren AB, further analysis will be conducted to determine the issues that the pesantren faces, leading to the non-implementation of financial statements based on the applicable standards, namely the Guidelines for Pesantren Accounting (PAP).

#### 5. RESULTS AND DISCUSSION

##### 5.1 EVALUATION OF THE CURRENT FINANCIAL REPORTING RECORDING AND PRESENTATION AT PONDOK PESANTREN AB

To answer the first research question, which concerns the evaluation of the current implementation of the recording and presentation of the financial statements of Pondok



Pesantren AB, an analysis was made of the school's financial statements based on analysis of the documentation and the findings of previous interviews on 2022. The qualitative descriptive analysis technique was used in this evaluation.

### **5.1.1 Findings**

The process of identifying the financial reports of Pondok Pesantren AB was carried out through documentation analysis and interviews with the treasurer to discover findings in each financial report. The identified findings listed in the documents were grouped per transaction, depicting each recorded transaction and financial report presentation at Pondok Pesantren AB. During an interview with the informant from Pondok Pesantren AB, the writer discovered that the institution in South Sumatra has not adhered to the established Pesantren Accounting Guidelines. As per the informant's response when asked about the financial reports prepared by Pondok Pesantren AB, it was evident that the institution continues to present basic financial reports, where the transactions recorded by the treasurer solely revolve around cash inflow and outflow.

### **5.1.2 Obstacles Faced by the Pondok Pesantren in Financial Reporting**

#### **a. Human Resources**

The human resources at Pondok Pesantren AB do not have an accounting background due to the educational curriculum, which primarily focuses on religious studies, general education, Arabic and English language development, together with extracurricular activities.

#### **b. Lack of Guidance**

Without proper guidance, the finance staff may lack adequate understanding of the importance of the Guidelines for Pesantren Accounting and how to apply them in financial reporting. This can result in errors in recording financial transactions, inaccurate financial statements, and ultimately harm the organization. Therefore, comprehensive socialization is crucial to ensure consistent and timely implementation of the guidelines.

#### **c. Technology**

Pondok Pesantren AB currently uses a simple system for financial transaction recording, which may however be difficult to comprehend. Therefore, it is necessary to approach this challenge with appropriate measures such as training and skills development, providing clear documentation and usage instructions, together with the design of a more user-friendly system. Recording financial reports traditionally takes a long time to process and requires direct interaction between employees and financial staff. This can cause issues if there are errors or data loss due to human mistakes or data embezzlement, which might not always be feasible during a pandemic.

#### **d. Motivation**

It is important for caregivers and management to select the right individuals and ensure their full commitment and focus on the project. As expressed by the treasurer supervisor: *"..Previously, we were unaware of the benefits of implementing the Guidelines for Pesantren Accounting. But after it was explained, we understood that it would bring many advantages for the progress of our pesantren. This motivation can be a good start for our pesantren's future."* (Treasurer Supervisor of Pesantren AB).

Additionally, training and socialization related to the Guidelines for Pesantren Accounting should be conducted for all members of the organization to help them understand the importance of the guidelines and to effectively implement them. With commitment from all members of the organization, the guidelines can be consistently and effectively applied.

The Pesantren Accounting Guidelines can provide clear guidance and a framework for the Financial Supervisory Agency (BPK) or auditors in auditing endowments in Islamic boarding schools. With these guidelines, the BPK will have a reference point to evaluate the recording, measurement, and presentation of endowment-related transactions. During the audit process, the BPK can assess whether the management of endowment funds adheres to the established accounting standards. The Pesantren Accounting Guidelines will assist the BPK in examining compliance with relevant accounting principles, including proper recognition, measurement, recording, and disclosure concerning endowments.

Overall, the implementation of the Pesantren Accounting Guidelines will serve as a driver and incentive for Islamic boarding schools to enhance the quality of record-keeping, reporting, and management of endowment funds. As a result, this contributes not only to financial transparency and accountability but also has the potential to increase external appeal and trust, further strengthening the position of Islamic boarding schools in fundraising endowment funds for better purposes.

## **5.2 RECOMMENDATION FOR IMPLEMENTING PAP AT PONDOK PESANTREN AB**

To answer the second research question, the recommendation for implementing the financial reporting record-keeping and presentation at Pondok Pesantren AB according to the Pesantren Accounting Guidelines (PAP) was conducted based on a comprehensive analysis of documentation and in-depth interviews with previously engaged informants. This was supplemented with data from a Focus Group Discussion (FGD). The suitability of the financial report was proposed to the Pondok Pesantren AB informants for discussion within the FGD. A qualitative descriptive analysis with reference to the Pesantren Accounting Guidelines (2018) was used to formulate the proposed design for Pondok Pesantren AB's financial report. The evaluation of the current financial reporting record-keeping and presentation at Pondok Pesantren AB in Section 5.1 revealed that the consistency of the financial record-keeping and presentation did not comply with the prevailing accounting standards for pesantren. To achieve consistency in financial reporting, aligning with the Pesantren Accounting Guidelines, the following steps were taken by the researcher:

1. Detailed explanation of PAP to the treasury staff, as accounting-related matters are still unfamiliar to the treasury staff.
2. Identification of transactions executed by the pesantren.
3. Presentation of the record-keeping system implemented by the pesantren.
4. Presentation of financial data from the pesantren structured in the accounting cycle.
5. Adjustment of the financial reports prepared by the pesantren's treasurer to comply with the applicable PAP standards.

### **5.2.1 Recommendations for AB Islamic Boarding School Transaction Activities based on Islamic Boarding School Accounting Guidelines**

In this section the researcher displays each transaction recorded by the Islamic boarding school where the author will provide recommendations for the application of the Islamic Boarding School Accounting Guidelines (PAP) for each transaction. In order to maintain the confidentiality of Islamic boarding school data, the nominal numbers for each transaction listed are disguised by researchers. Current assets in this transaction are assets that are expected to be realized or used within the normal operating cycle of the Islamic boarding school foundation, namely one year. Apart from that, there are also assets that are expected to be realized within 12 months after the end of the reporting period.

## 1. Liquid Assets

### a. Cash and Cash Equivalents

Cash and cash equivalents are recognized when incurred at the appropriate nominal value. In the AB Islamic Boarding School financial report, there is a cash and cash equivalent account which is used to record income obtained from several sources, namely monthly student fees, as well as development payments, donations from donors. The income recorded in this account is an unrestricted net asset, because it comes from the guardians of the students and donors whose use is not restricted. This is in accordance with the analysis of documentation and information submitted by sources regarding the condition of cash and cash equivalents. AB Islamic boarding school previously adopted the cash recognition method (*cash basis*) in recording transactions. This means that cash receipts are recorded when cash is received, while expenditures are recorded when the expenditure event occurs.

**Figure 5. 1 Development of AB Islamic Boarding School cash income in 2021**



Source: Author (2023)

The development of AB Islamic Boarding School's income is fluctuating where the amount of income can change from time to time. The factors that influence this fluctuation vary, such as different numbers of students, the level of participation in educational programs, there are students who pay at the beginning, middle and end of the year, donations from donors, as well as other changes that contribute to Islamic boarding school income. Fluctuations in income can also be influenced by external factors, such as economic conditions or policy changes that affect general financial conditions in society. Therefore, the financial management of the AB Islamic boarding school must pay close attention to these fluctuations and take strategic steps to maintain the financial stability and operational continuity of the Islamic boarding school in the long term.

The following is an illustration of general journal recommendations for cash receipts and cash use prepared by researchers based on the Islamic Boarding School Accounting Guidelines (PAP) which can be used as a reference by Islamic boarding schools with a disguised nominal value where the date recorded when the transaction occurred is as follows.

**Table 5. 2 General journal: Recommendations for cash receipts**

Date		Information	He must	Credit
Month X	and date	Kas dan setara kas	13.000.000	
		SPP santri		13.000.000
Month X	and date	Kas dan setara kas	5.000.000	
		Income Infaq		5.000.000

Source: Author (2023)

**Table 5. 3 General journal: Recommendations for using cash**

Date		Information	He must	Credit
Month X	and date	Electrical Load	5.000.000	
		Kas dan setara kas		5.000.000
Month X	and date	Water Load	5.000.000	
		Kas dan setara kas		5.000.000

Source: Author (2023)

b. Receivables

Most of the students at the AB Islamic Boarding School pay their monthly fees on time. AB Islamic Boarding School faces a type of receivable that arises from the guardians of students who have not paid their monthly fees in accordance with the stipulated provisions, and there are also those who pay by combining the payment of fees every 3 months. If the calculation is carried out with illustrations, the amount of receivables for month The following is a proposed general journal recommended by researchers based on Islamic Boarding School Accounting Guidelines (PAP) to record these receivables:

**Table 5. 4 General journals: Recommendations for recording when recognizing receivables**

Date		Information	He must	Credit
Month X	and date	Receivables	3.880.000	
		SPP santri		3.880.000

Source: Author (2023)

**Table 5. 5 General journals: Recommendations for Recording When Allowing for Receivables**

Date		Information	He must	Credit
Month X	and date	Allowance expense	3.880.000	
		Accumulated allowance		3.880.000

Source: Author (2023)

**Table 5. 6 General journals: Recommendations for recording when paying off receivables**

Date		Information	He must	Credit
Month X	and date	Who setara who	3.880.000	
		Receivables		3.880.000

Source: Author (2023)

**Table 5. 7 General journals: Recording recommendations when writing off receivables**

Date		Information	He must	Credit
Month X	and date	Receivables	3.880.000	
		SPP santri		3.880.000

Source: Author (2023)

c. Prepaid expenses

In reality, the number of student guardians who make payments in advance is relatively small. However, during the 2021 period, it was found that several students chose to pay fees in advance, even though the facilities they received would only be received at a later date. This is in accordance with the analysis of documentation and information submitted by sources regarding the condition of prepaid expenses. If the AB Islamic Boarding School has a prepaid fee of Rp. 873,000,- in month.

**Table 5. 8 General journal: Recommendations for recording prepaid expenses at the time of expenditure**

Date		Information	He must	Credit
Month X	Bulan Y	Prepaid expenses	873.000	
		Kas dan Setara Kas		873.000

Source: Author (2023)

**Table 5. 9 General journal: Recommendations for recording prepaid expenses when adjusting at the end of the period**

Date		Information	He must	Credit
Month X	Bulan Y	What	873.000	
		Prepaid expenses		873.000

Source: Author (2023)

**2. Fixed assets**

a.Land

As illustrated, Pondok Pesantren AB sold a plot of land for IDR 7,00,0000,000. With a profit/loss of Rp. 200,000,000,-. The following general journal is recommended by researchers to record land fixed assets based on various conditions at the time of sale:

**Table 5. 10 General journals: Recommendations for recording land sales without profit or loss**

Date		Information	He must	Credit
Month X	Bulan Y	Cash and cash equivalents/receivables	700.000.000	
		Fixed assets		700.000.000

Source: Author (2023)

**Table 5. 11 General journals: Recommendations for recording land sales where there is a profit**

Date		Information	He must	Credit
Month X	Bulan Y	Cash and cash equivalents/receivables	700.000.000	
		Fixed assets		700.000.000
		Profit		200.000.000

Source: Author (2023)

**Table 5. 12 General journal: Recommendations for recording land sales where there is a loss**

Date		Information	He must	Credit
Month X	Bulan Y	Cash and cash equivalents/receivables	700.000.000	
		Loss	200.000.000	
		Fixed assets		700.000.000

Source: Author (2023)

b. Building

The following is an illustration of recording and presenting building fixed assets in the context of AB Islamic boarding school. For example, AB Islamic boarding school has a school building value of 2.600.000.000,- and dormitory buildings amounting to Rp. 1.000.000.000,-. The following general journal is recommended by researchers to record building fixed assets based on various acquisitions:

**Table 5. 13 General journals: Recommendations for recording building acquisition through purchase**

Date		Information	He must	Credit
Month X	Bulan Y	Fixed assets of school buildings	2.600.000.000	
		Dormitory building fixed assets	1.000.000.000	
		Cash and cash equivalents/Debt		3.600.000.000

Source: Author (2023)

**Table 5. 14 General journals: Recommendations for recording land acquisition through development**

Date		Information	He must	Credit
Month X	Bulan Y	school building under construction	2.600.000.000	
		Cash and cash equivalents/Debt		2.600.000.000
Month X	Bulan Y	dormitory building under construction	1.000.000.000	
		Cash and cash equivalents/Debt		1.000.000.000
Month X	Bulan Y	school building	2.600.000.000	
		school building under construction		2.600.000.000
Month X	Bulan Y	dormitory building	1.000.000.000	
		dormitory building under construction		1.000.000.000

Source: Author (2023)

**Table 5. 15 General journals: Recommendations for recording building acquisition through grants**

Date		Information	He must	Credit
Month X	Bulan Y	school building	2.600.000.000	
		Grant Income		2.600.000.000
		dormitory building	1.000.000.000	
		Grant Income		1.000.000.000

Source: Author (2023)

In addition, the initial acquisition value of the building is also recorded as the initial value of this fixed asset. Once recorded, the building's fixed assets will experience a depreciation process over time. Depreciation is the process of recognizing that the value of fixed assets has depreciated or decreased in value due to age and use.

Based on Government Regulation of the Republic of Indonesia number 16 of 2021 concerning implementing regulations of law number 28 of 2022 concerning buildings in article 158 paragraphs (4) and (5), it is explained that the 2% depreciation value is used for permanent buildings whose function is planned to have a service life of over 20 (twenty) with residual value (*salvage value*) at least 20%. Because the resource person does not know the exact value of the AB Islamic Boarding School building, the author only made an illustration regarding the calculation of the AB Islamic Boarding School's annual depreciation value with an exact example value to provide recommendations for recording depreciation of buildings, namely each year based on applicable laws.

For example, this school building has a useful life of 30 years and no residual value and this school building has a useful life of 20 years and no residual value. Thus, the depreciation of the building is calculated based on the straight-line depreciation method. Every year, the building value will be reduced by the annual depreciation value calculated based on the useful life. The following table calculates the annual maintenance value for school buildings, boarding school buildings for Islamic boarding schools AB:

**Table 5. 16 Illustration of accumulated depreciation of school buildings**

Acquisition cost	Residual Value	U/E	depreciation expense	accumulated depreciation	book value
2.600.000.000	520.000.000	30	69.333.333	69.333.333	2.530.666.667
2.600.000.000	520.000.000	30	69.333.333	138.666.667	2.461.333.333
2.600.000.000	520.000.000	30	69.333.333	208.000.000	2.392.000.000
2.600.000.000	520.000.000	30	69.333.333	277.333.333	2.322.666.667
2.600.000.000	520.000.000	30	69.333.333	69.333.333	2.530.666.667
<b>Next to finish</b>					

Source: Author (2023)

**Table 5. 17 Illustration of accumulated depreciation of dormitory buildings**

Acquisition cost	Residual Value	U/E	depreciation expense	accumulated depreciation	book value
1.000.000.000	200.000.000	20	40.000.000	40.000.000	960.000.000
1.000.000.000	200.000.000	20	40.000.000	80.000.000	920.000.000
1.000.000.000	200.000.000	20	40.000.000	120.000.000	880.000.000
1.000.000.000	200.000.000	20	40.000.000	160.000.000	840.000.000
<b>Next to finish</b>					

Source: Author (2023)

The following general journal is recommended by researchers to record depreciation of building fixed assets:

**Table 5. 18 General journals: Recommendations for recording buildings during depreciation**

Date	Information	He must	Credit
Of the 31	Depreciation expense for school buildings	69.333.333	
	Accumulated depreciation school building		69.333.333
Of the 31	Dormitory building depreciation expense	40.000.000	

Date	Information	Debit	Credit
	Accumulated depreciation dormitory building		40.000.000

Source: Author (2023)

### 3. Net assets

#### a. Unrestricted Net Assets

Pondok Pesantren AB has unrestricted net assets which are an important resource in carrying out the operational activities of the Islamic boarding school. However, the recording related to net assets has not been presented in accordance with applicable standards in financial reporting. The recording carried out by the Islamic boarding school treasurer is limited to the daily income and expenditure of the Islamic boarding school. This causes information regarding unrestricted net assets not to be documented completely and in detail.

#### b. Permanently Restricted Net Assets

Islamic boarding schools have permanently bound net assets obtained from assistance provided by the government, namely School Operational Assistance funds. However, the recording and presentation of financial reports originating from the government are separated from financial reports originating from student guardians. This is in accordance with what was conveyed by the resource person,

*"...For the boss's funds there is a separate technical guideline because if it is not in accordance with the technical guidelines then the next stage of the boss's funds will be delayed..." (Superintendent Treasurer of Islamic Boarding Schools, 2022)*

However, the author will still provide recommendations for recording and presenting financial reports related to restricted assets based on the Islamic Boarding School Accounting Guidelines (PAP) at the AB Islamic Boarding School so that they can be useful in the future

### 5.2.2 Statement of Financial Position

In this context, the organization is considered to be socially responsibility by taking into account and fulfilling the interests of all stakeholders involved. As expressed by an informant:

*"...PAP will certainly help in presenting pesantren financial statements in accordance with standards. Thus, it can also benefit stakeholders in ensuring transparent management and utilization of funds..." (Employee of the Supreme Audit Agency of the Republic of Indonesia, 2023).*

According to Ebrahim (2005), stakeholders in the context of non-profit organizations emphasize the importance of accountability, including upward, downward and internal accountability. As expressed by an informant:

*"...PAP is very important as a means of financial transparency and accountability, and accrual-based financial statements for pesantren are important as a financial system update..." (Lecturer in University X of South Sumatra, 2023).*

Therefore, Islamic boarding schools must prepare financial reports according to applicable standards, namely the Islamic Boarding School Accounting Guidelines (PAP). By following applicable standards, financial reports can provide information that is accurate, transparent and understandable to report users, including external stakeholders such as investors, creditors and the government. The researcher has prepared a recommended financial position report table based on the illustration of the AB Islamic Boarding School financial report prepared by the researcher based on the Islamic Boarding School Accounting Guidelines.



## **6. CONCLUSION AND RECOMMENDATIONS**

Based on the research conducted at Pondok Pesantren AB in South Sumatra regarding the implementation of the Accounting Guidelines for Pesantren (PAP) in recording and presenting financial statements. Pondok Pesantren AB currently uses a basic financial reporting system, focusing solely on tracking cash inflows and outflows. These reports are compiled monthly by individual business units and submitted to the school's administration. However, the full implementation of the Pesantren Accounting Guidelines (PAP), encompassing various financial reports such as financial position, cash flow, activity reports, and financial note disclosures, hasn't been applied at Pondok Pesantren AB. Currently, only cash inflow and outflow reports are provided every two weeks. Several hurdles obstruct the adoption of PAP, including manual and simplistic financial transaction recording, complex and costly systems, limited accounting expertise, and insufficient guidance from the IAI or other professional entities.

Greater dedication from the management is essential for enhancing the financial reporting process and ensuring compliance with the requisite accounting standards. Based on the analysis presented The need to adhere to the Pesantren Accounting Guidelines (PAP) in financial reporting at Pondok Pesantren AB cannot be understated. The institution must take definitive steps to create financial reports that align with current accounting standards. This will ensure consistent compliance and maximum transparency in their financial reporting. It is highly recommended to employ professionals with adequate accounting competence for financial report preparation. Their expertise is crucial in preventing errors in financial transactions and ensuring the reliability and accuracy of Pondok Pesantren AB's financial reports. Participating in PAP-related information sessions conducted by the Indonesian Institute of Accountants (IAI), Bank Indonesia (BI), or other institutions is of significant importance. Future studies could replicate this research in other institutions to provide broader financial report recommendations based on PAP. These insights can serve as guidelines for other Islamic boarding schools to develop financial reports complying with current accounting standards. Additionally, this research can offer valuable insights for further exploration by other researchers.

The research has the following limitations that should be considered the study's scope is restricted to Pondok Pesantren AB, thus the formulated improvement recommendations apply solely to this institution. To enhance the research's impact, future studies could encompass multiple case studies within educational institutions across Indonesia. Another limitation arises from the restricted discussion about accounting guidelines for business units, stemming from their non-involvement with the pesantren. This limitation constrains the understanding of financial statements for pesantren business units based on PAP. Considering these limitations, further research has the potential to provide a broader and more in-depth contribution to enhancing understanding and providing relevant improvement solutions regarding financial statements in pesantrens and educational institutions as a whole.

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**APPENDIX**

**Appendix 1. Recommendations for financial position reports for Islamic Boarding Schools AB**

<b>AB Islamic Boarding School Financial Position Report For the year ending December 31, 2021</b>	
<b>Account name</b>	<b>2021</b>
<b>ASSET</b>	
<b>Liquid Assets</b>	
As the Bank	80.000.000
Petty cash	25.000.000
Accounts receivable	3.880.000
Prepaid expenses	873.000
Other Current Assets	0
<b>Total Current Assets</b>	<b>109.753.000</b>
<b>Non-Current Assets</b>	
Investments in other entities	-
Investment property	-
Land	5.280.000.000
School building	2.600.000.000
Dormitory Building	1.000.000.000
Vehicle	195.000.000
Accumulated depreciation of School Buildings	- 69.333.333
Accumulated Depreciation of Dormitory Buildings	- 40.000.000
Accumulated depreciation of vehicles	- 10.380.953
<b>Total Non-Current Assets</b>	<b>8.955.285.714</b>
<b>TOTAL ASSETS</b>	<b>9.183.762.564</b>
<b>LIABILITIES</b>	
<b>Short-term liabilities</b>	
Income received in advance	-
Short term debt	-
Other short-term debt	-
<b>Total Short Term Liabilities</b>	<b>-</b>
<b>Long term liabilities</b>	
Long-term debt	-
Employee benefits liabilities	-
Other long-term liabilities	-
<b>Total of Long-Term Liabilities</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>
<b>WEAPONS NET</b>	
Unrestricted net assets	9.523.850
Temporarily restricted net assets	-
Permanently tied net assets	163.000.000
<b>Total Net Assets</b>	<b>172.523.850</b>
<b>Total Liabilities and Net Assets</b>	<b>172.523.850</b>

Source: Author (2023)

**Appendix 2. Recommendations for AB Islamic Boarding School activity reports**

<b>AB Islamic boarding school Activity Report For the year ending December 31, 2021</b>	
<b>Account name</b>	<b>He must</b>
<b>CHANGES IN NET ASSETS ARE NOT LIMITED</b>	
<b>Unrestricted income</b>	
Contribution of students	167.523.850
Infaq	80.000.000
Founder and management grants	-
Restricted net assets for which restrictions have expired	-
Other income	-
<b>Unrestricted Income Amount</b>	<b>247.523.850</b>
<b>Unbound Load</b>	
Kitchen Load	120.000.000
General expenses and office administration	10.500.000
Irrigation Load	24.010
Teacher burden	60.000.000
Construction and maintenance expenses	17.500.000
Transportation expenses	10.000.000
Health burden	5.000.000
Other Charges	5.000.000
<b>Amount of Unrestricted Expenses</b>	<b>228.024.010</b>
<b>The increase decrease)</b>	<b>19.499.840</b>
<b>Beginning balance</b>	-
<b>Ending balance</b>	<b>19.499.840</b>
<b>CHANGES IN PERMANENTLY BOUND NET ASSETS</b>	
School Operational Assistance Fund	56.000.000
Cash Waqf	20.000.000
Waqf for movable assets other than money	80.000.000
Endowment of immovable property	3.000.000
Tied grant	50.000.000
Net results of management and development	48.000.000
Allocation of management and development results	(76.000.000)
<b>Amount of Change in Permanently Restricted Net Assets</b>	<b>181.000.000</b>
<b>The increase decrease)</b>	<b>181.000.000</b>
<b>Beginning balance</b>	-
<b>Ending balance</b>	<b>181.000.000</b>
<b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>	-
<b>NET ASSETS AT THE END OF THE YEAR</b>	<b>200.499.840</b>

Source: Author (2023)

**Appendix 3. Recommendations for Cash Flow Reports for Islamic Boarding Schools AB**

<b>AB Islamic Boarding School Cash flow statement For the year ending December 31, 2021</b>	
<b>Account name</b>	<b>2021</b>
<b>OPERATING CASH FLOWS</b>	
<b>Reconciliation of changes in net assets to net cash</b>	
<b>Income</b>	
Contribution of students	167.523.850
Infaq	80.000.000
Founder and management grants	-
Restricted net assets for which restrictions have expired	-
Other income	-
<b>Total income</b>	<b>247.523.850</b>
<b>Production</b>	
Kitchen Load	120.000.000
General expenses and office administration	10.500.000
Irrigation Load	24.010
Teacher burden	60.000.000
Construction and maintenance expenses	17.500.000
Transportation expenses	10.000.000
Health burden	5.000.000
Other Charges	5.000.000
<b>Total Load</b>	<b>228.024.010</b>
<b>Adjustment:</b>	
Inventory increase	-
Decrease in prepaid expenses	873.000
The increase in income is received in advance	1.500.000
<b>The amount of net cash received from Operating activities</b>	<b>21.872.840</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	
Purchase of assets is not smooth	-
Investment sales	-
<b>The amount of net cash withdrawn from investing activities</b>	<b>-</b>
<b>CASH FLOWS FROM FUNDING ACTIVITIES</b>	
Long term debt repayment	-
<b>Total net cash flow from financing activities</b>	<b>-</b>
<b>Increase (decrease) in cash</b>	<b>-</b>
<b>Beginning balance</b>	<b>-</b>
<b>Ending balance</b>	<b>21.872.840</b>

Source: Author (2023)