
ACCOUNTING FOR MUZARA'AH CONTRACTS IN AGRICULTURE

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ABSTRACT

In farming communities where land and labor are frequently pooled through Islamic partnership agreements, muzara'ah contracts significantly contribute to fair production and income sharing. This study explains the concept of muzara'ah accounting in agriculture, including the recognition and measurement of revenue and costs in muzara'ah contracts and the presentation and disclosure of financial information. The research method is qualitative and uses literature. The results are as follows: First, revenue from muzara'ah contracts is recognized when the harvest is received and can be measured. The recognized revenue is the harvest portion due to the landowner and the farmer under a profit-sharing agreement. Secondly, revenue assessment is based on the fair value of the harvest, which can be determined using current market rates or a mutually agreed value. Third, cost recognition, such as production and other costs, is recognized as an expense in the same period the revenue is recognized. Finally, cost measurement: Costs are measured based on the value incurred to acquire goods or services under the muzara'ah contract, which has important implications for the development of sustainable agricultural systems. First, education on Islamic economic law is needed to strengthen muzara'ah actors' understanding of the contract, ensuring it is executed fairly and transparently. Second, the results of this study can serve as a basis for Islamic financial institutions to design financing models based on the muzara'ah contract. Policymakers, Islamic financial institutions, and agricultural stakeholders should develop definitive accounting guidelines and capacity-building initiatives to ensure the transparent, equitable, and sustainable implementation of muzara'ah contracts.

Keywords: *Muzara'ah accounting, revenue recognition, cost measurement, Islamic finance, sustainable agriculture*

ABSTRAK

Dalam komunitas pertanian di mana tanah dan tenaga kerja sering kali disatukan melalui perjanjian kemitraan Islam, kontrak muzara'ah secara signifikan berkontribusi pada pembagian produksi dan pendapatan yang adil. Penelitian ini menjelaskan konsep akuntansi muzara'ah di bidang pertanian, termasuk pengakuan dan pengukuran pendapatan dan biaya dalam kontrak muzara'ah serta penyajian dan pengungkapan informasi keuangan. Metode penelitian yang digunakan adalah kualitatif dan menggunakan studi literatur. Hasilnya adalah sebagai berikut: Pertama, pendapatan dalam akad muzara'ah diakui pada saat hasil panen telah diterima dan dapat diukur. Pendapatan yang diakui adalah bagian hasil panen yang menjadi hak pemilik lahan dan petani berdasarkan perjanjian bagi hasil. Kedua, penilaian pendapatan didasarkan pada nilai wajar hasil panen, yang dapat ditentukan dengan menggunakan harga pasar yang berlaku saat ini atau nilai yang disepakati oleh kedua belah pihak yang berkontrak. Ketiga, pengakuan biaya, seperti biaya produksi dan biaya lainnya, diakui sebagai beban pada periode yang sama dengan pengakuan pendapatan. Terakhir, pengukuran biaya: Biaya diukur berdasarkan nilai yang dikeluarkan untuk memperoleh barang atau jasa yang terkait dengan kontrak muzara'ah—implikasi penting bagi pengembangan sistem pertanian berkelanjutan. Pertama, edukasi mengenai hukum ekonomi Islam diperlukan untuk memperkuat pemahaman pelaku muzara'ah agar kontrak dijalankan secara adil dan transparan. Kedua, hasil penelitian ini

dapat menjadi dasar bagi lembaga keuangan syariah untuk merancang model pembiayaan berbasis akad muzara'ah. Para pembuat kebijakan, lembaga keuangan syariah, dan pemangku kepentingan pertanian harus membuat pedoman akuntansi yang definitif dan inisiatif peningkatan kapasitas untuk mempromosikan pelaksanaan kontrak muzara'ah yang transparan, adil, dan berkelanjutan.

Kata kunci: Akuntansi muzara'ah, pengakuan pendapatan, pengukuran biaya, keuangan syariah, pertanian berkelanjutan

INTRODUCTION

One form of cooperation between landowners and farmers in the agricultural sector, where landowners provide land and farmers provide labor to work the land, is known as Muzar'ah (Irfangi & Abdilla, 2025). In muzara'ah, the harvest is shared between the landowner and the farmer based on a predetermined agreement (Allisa, 2025).

In accounting practice, muzara'ah agreements require a specific accounting treatment because they entail the allocation of agricultural produce between two parties under a profit-sharing scheme (Zainollah & Ghufroon, 2024). Therefore, it is important to understand how accounting for muzara'ah contracts in agriculture can be done correctly and in accordance with applicable accounting principles (Wulandari et al., 2025).

The practice of accounting for muzara'ah contracts for agriculture is growing in various countries, especially in countries with a majority Muslim population. Muzara'ah is an agricultural production-sharing system in which the

landowner provides the land and the farmer provides the labor (Wulandari et al., 2025).

In practice, muzara'ah accounting involves recording financial transactions related to agricultural businesses, including production costs, crop yields, and profit-sharing arrangements. Muzara'ah accounting also requires the disclosure of financial information that is transparent and fair to both parties (Latifah & Muawanah, 2025). Thus, the accounting practice of muzara'ah contracts can help improve the welfare of farmers and local communities, and support the development of sustainable and equitable agricultural systems.

Agriculture continues to play a vital role in the economies of many Muslim-majority countries, contributing significantly to employment, food security, and rural development (Rusdiana, 2025). Within the Islamic economic framework, agricultural production has historically been supported through partnership-based contracts such as muzara'ah, a

sharecropping arrangement in which a landowner provides land and a farmer contributes labor, with both parties sharing the agricultural output according to a predetermined ratio. Classical jurists from the Hanafi, Maliki, Shafi'i, and Hanbali schools generally recognize the permissibility of muzara'ah under specific conditions to ensure fairness and avoid gharar (excessive uncertainty) (Bangash, 2020).

Unlike debt-based contracts, muzara'ah reflects core Islamic economic principles such as risk-sharing, cooperation (ta'awun), justice ('adl), and equitable distribution of wealth (Anisa, 2025). From a theoretical perspective, it aligns with the broader paradigm of profit-and-loss sharing (PLS) that underpins Islamic finance (Stiawan, 2024). However, while substantial research has addressed PLS contracts in Islamic banking—particularly mudarabah and musharakah agricultural contracts muzara'ah remains underexplored in accounting literature.

From an accounting standpoint, modern financial reporting frameworks, such as those developed by the International Accounting Standards Board (IASB), focus on standards like IAS 41 (Agriculture), which emphasize the fair value measurement of biological

assets. Although IAS 41 provides guidance on the recognition and measurement of crops and livestock, it does not specifically address Shariah-based partnership contracts or profit-sharing mechanisms rooted in Islamic jurisprudence. Similarly, the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) provide detailed guidance on Islamic banking contracts but offer limited direct treatment of agricultural sharecropping arrangements (Anisa, 2025)..

This regulatory and conceptual gap creates practical challenges in recording, measuring, and disclosing muzara'ah transactions. Key accounting questions arise: How should the rights and obligations of landowners and farmers be recognized? Should crops be recognized as biological assets of the landowner, the farmer, or jointly? How should revenue and profit-sharing be measured and disclosed? How should risk allocation be reflected in financial statements?

As Islamic finance expands beyond financial intermediation into the real sector, including agriculture, microfinance, and social finance, developing a comprehensive accounting framework for muzara'ah contracts becomes increasingly important for

transparency, comparability, and Shariah compliance.

Muzara'ah accounting should reflect Islamic principles of justice, transparency, and accountability (Anisa, 2025). Financial reporting should clearly present risk-sharing arrangements consistent with Islamic economic philosophy (Stiawan, 2024). Accounting standards should incorporate Shariah governance mechanisms, ensuring compliance and ethical disclosure (Bangash, 2020). Profit-sharing calculations should be transparent and measurable in a way that protects both landowners and farmers.

In practice, many muzara'ah arrangements are informal and undocumented, particularly in rural economies. Conventional accounting standards are often applied without adapting them to the Shariah-based structure of the contract. There is ambiguity in asset recognition regarding whether crops belong economically to the landowner, farmer, or partnership entity. Disclosure regarding risk-sharing, input contribution, and yield uncertainty is often minimal.

Limited integration exists between Shariah governance frameworks and agricultural accounting

practices. Thus, a significant discrepancy exists between the normative ideals of Islamic economic justice and the practical implementation of accounting standards in agricultural partnerships.

Despite the growing body of literature on Islamic accounting and finance, several gaps remain: Most Islamic accounting research concentrates on banking contracts such as murabahah, mudarabah, and musharakah (Stiawan, 2024).

Agricultural contracts like muzara'ah receive comparatively little attention. There is no dedicated international accounting standard specifically regulating muzara'ah contracts. IAS 41 addresses agriculture generally, but does not integrate Shariah partnership principles. Limited research integrates classical fiqh doctrines with modern accounting concepts such as asset recognition, fair value measurement, and revenue recognition. Few empirical studies investigate how muzara'ah is actually recorded and reported in Islamic cooperatives, Islamic microfinance institutions, or agribusiness entities (Turnip & Hasanah, 2024).

Shariah Governance Gap: Existing research on Shariah governance (Stiawan, 2024) primarily examines

Islamic banks, not agricultural partnerships. This study aims to bridge these gaps by proposing an analytical framework that harmonizes Shariah principles, agricultural accounting standards, and modern financial reporting theory.

The importance of this research is that it broadens the scope of Islamic accounting scholarship beyond financial-sector contracts. It contributes to the development of a more comprehensive Islamic accounting theory that includes real-sector applications. The findings may assist standard-setters such as AAOIFI and national accounting bodies in formulating specific guidance for agricultural partnership contracts (Turnip & Hasanah, 2024).. Islamic cooperatives, rural financing institutions, and agribusiness firms can benefit from clearer accounting guidance to enhance transparency and reduce disputes between contracting parties (Turnip & Hasanah, 2024).

Proper accounting for muzara'ah can strengthen rural economies by ensuring fair profit-sharing and improving access to Islamic agricultural financing mechanisms. Structured accounting supports effective Shariah auditing, monitoring, and compliance review processes, which are essential for

maintaining stakeholder trust (Stiawan, 2024). Given the global emphasis on sustainable agriculture and ethical finance, integrating Islamic partnership models with transparent accounting can contribute to socially responsible, sustainable rural development.

This paper examines the idea of muzara'ah and the acknowledgment, quantification, representation, and reporting of associated income and expenses in farming contracts. It seeks to improve comprehension of muzara'ah accounting and facilitate better financial oversight in agricultural businesses.

RESEARCH METHODS

This research uses library research methods to collect data and information relevant to the research topic (Sari et al., 2022). This method was chosen because it allows researchers to conduct an in-depth analysis of written sources related to the research.

Steps of this Research (Anggito & Setiawan, 2018; Sari et al., 2022): (1) Data Collection: Data collection is done by searching and collecting written sources related to the research, such as books, journal articles, and other documents; (2) Source Analysis: The sources that have been collected are then analyzed to obtain information relevant to the research; (3) Synthesis: The information

RESULT AND DISCUSSION

The concept of the Muzara'ah contract, as applied to agriculture in various countries, certainly includes provisions and conditions that are sometimes not in accordance with Islamic sharia. Amjad Ullah Jan Bangash (2019) shows in his research, "Managing the Agricultural Sector Through Muzara'ah: Implementing an Islamic Economic Participatory Mode of Financing," that Pakistani banks support agricultural financing through muzara'ah contracts. In the country of Pakistan, the existence of such a Muzara'ah model is unacceptable according to Sharia for several reasons, the main one being that it requires a lump sum amount to be fixed in advance, without waiting for the final yield (Bangash, 2020).

The muzara'ah agricultural profit-sharing system can improve land productivity and the welfare of tenant farmers. This system can also expand employment opportunities and increase local communities' incomes.

Implementation of Akad Muzara'ah can improve land productivity and tenant farmers' welfare (Anisa, 2025). The system can also expand employment opportunities and increase the income of local communities (Turnip & Hasanah, 2024).

The profit-sharing system used in the muzara'ah contract is a fair and transparent profit-sharing system (Ashofa & Santi, 2025; Rahman et al., 2025; Tyas, 2024). Landowners and tenant farmers agree to divide the harvest based on the agreement that has been made (Keri, 2025; Maghfirrah & Andriyani, 2024). Accounting for Akad Muzara'ah needs to be transparent and accountable. (Miftahurohman et al., 2025; Zainollah & Ghufroon, 2024). This can increase trust and reduce potential conflicts among the parties.

Implications for the Development of Sustainable Agriculture Systems: This research has important implications for the development of sustainable agricultural systems. First, education on Islamic economic law is needed to strengthen the understanding of the muzara'ah actors so that the contract is implemented fairly and transparently (Latifah & Muawanah, 2025). Second, the results of this study can serve as a basis for Islamic financial institutions to design a financing model based on the muzara'ah contract.

Basic Concept of Muzara'ah Contract

The basic concept of muzara'ah accounting is as follows:

1. Production Sharing: Muzara'ah is a profit-sharing contract

between a landowner and a farmer, where the landowner provides the land and the farmer provides the labor and expertise to work the land (Aryanti & Syanda, 2025).

In a Muzara'ah contract, there are several types of profit sharing that can be agreed upon between the landowner and the farmer, including:

Table 1. of Types of Profit-Sharing in Muzara'ah Contracts

Types (Descriptions)	Illustartion	Profit Sharing Calculation	Journal
Percentage-based Profit Sharing: Profit sharing can be agreed upon based on a certain percentage of the harvest, for example 60% for the landowner and 40% for the farmer.	Mr. Andi, as the landowner, and Mr. Budi, as the farmer, agree to do a Muzara'ah contract with a 60:40 profit sharing. The yield obtained is 1000 kg of rice at a price of IDR 5,000 per kg.	Total yield: 1000 kg x IDR 5,000/kg = Rp 5,000,000 Profit sharing for Mr. Andi (60%): IDR 5,000,000 x 60% = Rp 3,000,000 Profit share for Mr. Budi (40%): IDR 5,000,000 x 40% = IDR 2,000,000	Debit: Muzara'ah Income IDR 5,000,000 Credit: Mr. Andi's profit-sharing IDR 3,000,000 Credit: Mr. Budi's Profit-Sharing IDR 2,000,000 Thus, Mr. Andi, as the landowner, will receive IDR 3,000,000 as profit sharing, while Mr. Budi, as the farmer, will receive IDR 2,000,000 as profit sharing.
Profit Sharing Based on Amount: Profit sharing can be agreed upon based on a certain amount of the harvest, for example, 50 kg for the landowner and 30 kg for the farmer. The following is an example of Profit Sharing Based on Amount in Muzara'ah accounting:	Mr. Andi, as a landowner, and Mr. Budi, as a farmer, agreed to enter into a Muzara'ah contract with a profit-sharing arrangement of 600 kg of rice for Mr. Andi and 400 kg of rice for Mr. Budi. The yield obtained is 1000 kg of paddy.	Profit sharing for Mr. Andi: 600 kg. Profit sharing for Mr. Budi: 400 kg. If the price of paddy is Rp 5,000 per kg, then: Profit sharing for Mr. Andi: 600 kg x IDR 5,000/kg = Rp 3,000,000 Profit sharing for Mr. Budi: 400 kg x IDR 5,000/kg = IDR 2,000,000	Debit: Rice Inventory IDR 5,000,000 (1000 kg x IDR 5,000/kg). Credit: Mr. Andi's Profit Share IDR 3,000,000. Credit: Mr. Budi's Profit-Sharing IDR 2,000,000. Thus, Mr. Andi as the landowner will receive 600 kg of paddy or equivalent to IDR 3,000,000, while Mr. Budi as the farmer will receive 400 kg of paddy or equivalent to IDR 2,000,000.
Profit Sharing Based on Value: Profit sharing can be agreed based on a certain value of the harvest for example 60% of the value of the harvest for the landowner and 40% for the farmer	Mr. Andi as a landowner and Mr. Budi as a farmer agreed to do a Muzara'ah contract with a profit sharing of 60% of the value of the crop for Mr. Andi and 40% for Mr. Budi. The yield obtained is 1000 kg of rice with a market price of IDR 5,500 / kg.	Total value of the harvest: 1000 kg x IDR 5,500/kg = IDR 5,500,000 Profit sharing for Mr. Andi: 60% x IDR 5,500,000 = IDR 3,300,000 Profit sharing for Mr. Budi: 40% x IDR 5,500,000 = IDR 2,200,000	Debit: Muzara'ah Income IDR 5,500,000 Credit: Mr. Andi's profit-sharing IDR 3,300,000 Credit: Mr. Budi's Profit-Sharing IDR 2,200,000. Thus, Mr. Andi as the landowner will receive IDR 3,300,000 as profit sharing, while Mr. Budi as the farmer will receive IDR 2,200,000 as profit sharing.

In addition, there are also several types of profit sharing that can be agreed upon, such as this Table:

Table 2. Types of Profit-Sharing in Muzara'ah Musaqamah and Mukhabarah Contracts

Types and Descriptions	Illustrations	Profit Sharing Calculation	Analysis
Muzara'ah Muqasamah: An agreed profit-sharing based on a certain percentage of the harvest	Mr. Andi as the landowner and Mr. Budi as the farmer agreed to do a Muzara'ah Muqasamah contract with a 60:40 profit sharing. The yield obtained is 1000 kg of rice.	Profit sharing for Mr. Andi: $60\% \times 1000 \text{ kg} = 600 \text{ kg}$. Profit sharing for Mr. Budi: $40\% \times 1000 \text{ kg} = 400 \text{ kg}$. If the price of paddy is IDR 5,000 per kg, then: Profit sharing for Mr. Andi: $600 \text{ kg} \times \text{IDR } 5,000/\text{kg} = \text{Rp } 3,000,000$ Profit sharing for Mr. Budi: $400 \text{ kg} \times \text{IDR } 5,000/\text{kg} = \text{IDR } 2,000,000$	In Muzara'ah Muqasamah, the profit sharing is calculated based on a certain proportion of the harvest. In the example above, Mr. Andi as the landowner will receive 60% of the harvest, while Mr. Budi as the farmer will receive 40% of the harvest.
Muzara'ah Mukhabarah: An agreed profit-sharing based on a certain amount of the harvest	Mr. Andi, as a landowner, and Mr. Budi, as a farmer, agreed to do a Muzara'ah Mukhabarah contract with the stipulation that Mr. Andi will receive 500 kg of rice as profit sharing, while Mr. Budi will receive the rest of the harvest after deducting Mr. Andi's profit sharing. The yield obtained is 1000 kg of rice.	Profit sharing for Pak Andi: 500 kg. Remaining harvest for Pak Budi: $1000 \text{ kg} - 500 \text{ kg} = 500 \text{ kg}$. If the price of paddy is IDR 5,000 per kg, then: Profit sharing for Mr. Andi: $500 \text{ kg} \times \text{IDR } 5,000/\text{kg} = \text{IDR } 2,500,000$ Profit sharing for Mr. Budi: $500 \text{ kg} \times \text{IDR } 5,000/\text{kg} = \text{IDR } 2,500,000$	In Muzara'ah Mukhabarah, profit sharing is calculated based on a certain amount agreed upon in advance. In the example above, Mr. Andi, as the landowner, will receive 500 kg of paddy as profit sharing, while Mr. Budi, as the farmer, will receive the rest of the harvest after deducting Mr. Andi's profit sharing. The selection of the right type of profit sharing can be adjusted to the needs and agreement between the landowner and the farmer.

2. Revenue Recognition: Muzara'ah income is recognized based on the profit-sharing method, i.e., when the crop has been received and can be reliably measured (Pasha & Apriel, 2023).

Table 3. Revenue Recognition Muzara'ah

Illustrations	Income Calculation	Revenue Recognition	Journal
Mr. Andi, as the landowner, and Mr. Budi, as the farmer, agreed to do a Muzara'ah contract with a 60:40 profit-sharing. The yield obtained is 1000 kg	Total income: $1000 \text{ kg} \times \text{Rp } 5,000/\text{kg} = \text{IDR } 5,000,000$. Profit sharing for Mr. Andi: $60\% \times \text{IDR } 5,000,000 = \text{IDR } 3,000,000$. Profit sharing for Mr. Budi: $40\% \times \text{IDR } 5,000,000 = \text{IDR } 2,000,000$.	Mr. Andi recognizes Muzara'ah income of DR 3,000,000, while Mr. Budi recognizes Muzara'ah	Mr. Andi: Debit: Muzara'ah receivable IDR 3,000,000, Credit: Muzara'ah income IDR 3,000,000 Mr. Budi: Debit: Muzara'ah receivables IDR 2,000,000; Credit: Muzara'ah income IDR 2,000,000. Thus, Muzara'ah income is recognized based on the agreed profit-sharing ratio between Mr. Andi and Mr. Budi.

of rice at a price of IDR 5,000 per kg.	5,000,000 = 2,000,000	IDR 2,000,000.	income of IDR
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3. Cost Measurement: Costs incurred to acquire the goods or services associated with muzara'ah are measured based on the value of muzara'ah. (Stiawan, 2024).

Table 4. Cost Measurement

Illustrations	Cost Measurement	Journal
Mr. Andi as the landowner and Mr. Budi as the farmer agreed to do a Muzara'ah contract. In the process of planting and maintenance, Mr. Budi incurs the following costs: - Seed cost: IDR 500,000 - Fertilizer cost: IDR 800,000 - Pesticide cost: IDR 200,000 - Labor costs: IDR 1,200,000. The total costs incurred by Mr. Budi are: IDR 500,000 + IDR 800,000 + IDR 200,000 + Rp 1,200,000 = IDR 2,700,000	Costs related to Muzara'ah are measured based on the value incurred to obtain goods or services related to Muzara'ah, which amounted to Rp 2,700,000.	Debit: Muzara'ah expenses IDR 2,700,000. Credit: Cash IDR 2,700,000. Thus, the costs associated with Muzara'ah are measured based on the value incurred to acquire goods or services related to Muzara'ah, which amounted to IDR 2,700,000. This cost will affect the calculation of profit or loss of Muzara'ah.

4. Accounting Recording: The transactions related to muzara'ah accounting records of muzara'ah and other transactions (Prasetya & Hamzah, 2021) should be separated between

Table 5. Accounting Recording Muzara'ah

Illustration	Accounting Recording	Journal
Mr. Andi, as a landowner, and Mr. Budi, as a farmer, agreed to do a Muzara'ah contract. Here are some transactions related to Muzara'ah: - Muzara'ah Income: IDR 5,000,000 - Muzara'ah Expenses: IDR 2,700,000 - Payment of profit sharing to Mr. Andi: IDR 3,000,000 - Payment of profit sharing to Mr. Budi: IDR 2,000,000	The accounts related to Muzara'ah are (1) Muzara'ah Income; (2) Muzara'ah Expenses; (3) Muzara'ah Receivables; (4) Profit Sharing. Thus, the recording of Muzara'ah accounting separates transactions related to Muzara'ah from other transactions, making it easier for financial reporting and decision-making	- Journal of Muzara'ah Income: Debit: Muzara'ah receivable IDR 5,000,000. Credit: Muzara'ah Income IDR 5,000,000 - Journal of Muzara'ah Expenses: Debit: Muzara'ah Expenses IDR 2,700,000. Credit: Cash IDR 2,700,000 - Journalization of Profit-Sharing Payment: Debit: Profit Sharing IDR 5,000,000. Credit: Cash IDR 5,000,000. Debit: Cash IDR 3,000,000 (Payment to Mr. Andi) Debit: Cash IDR 2,000,000 (Payment to Mr. Budi)

5. Transparency and Accountability: that it can provide accurate and reliable information to the parties Muzara'ah accounting should be transparent and accountable, so concerned (Aksan, 2024).

Table 6. Transparency and Accountability Muzara'ah

Illustration Muzara'ah Financial Statement	Statements	Transparency and accountability
Mr. Andi as the landowner and Mr. Budi as the farmer	Supporting Documents such as: (1) Seed purchase note; (2) Fertilizer	Transparency and accountability in

<p>agreed to do a Muzara'ah contract. The following is a transparent and accountable Muzara'ah financial report: Muzara'ah Financial Statement - Muzara'ah Income: IDR 5,000,000 - Muzara'ah Expenses: IDR 2,700,000 - Muzara'ah Profit: IDR 2,300,000 - Profit sharing for Mr. Andi: $60\% \times \text{IDR } 2,300,000 = \text{IDR } 1,380,000$ - Profit sharing for Mr. Budi: $40\% \times \text{IDR } 2,300,000 = \text{IDR } 920,000$</p>	<p>purchase note; (3) Labor payment note; (4) Harvest report. Disclosures range from: (a) Accounting methods used; (b) Assumptions and estimates used in the calculation; (c) Information about related parties (Reken et al., 2025). Thus, transparent and accountable Muzara'ah accounting can provide accurate and reliable information to related parties, such as: Landowner (Pak Andi); Farmer (Pak Budi); Investor; Tax authority.</p>	<p>Muzara'ah accounting can increase trust and minimize potential conflicts between related parties. Thus, the basic concept of muzara'ah accounting is to recognize and measure muzara'ah income and expenses accurately and transparently, and to provide reliable information to the parties concerned.</p>
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Accounting for Muzara'ah contracts in agriculture

In accounting, the muzarah contract applied in agriculture is divided into 2 provisions. Recognition and measurement of income and expenses in

contractual muzara'ah. In accounting for contractual muzara'ah, recognition and measurement of income and expenses can be done as follows (Turnip & Hasanah, 2024).

Table 7. Accounting for Muzara'ah contracts in agriculture

Perspective	Description	Journal
Revenue Recognition	Revenue in contractual muzara'ah is recognized when the crop has been received and is measurable and reliable. The revenue recognized is the portion of the crop due to the landowner and the farmer under the profit-sharing agreement. Illustration: On January 1, 2024, Pak Andi, as the landowner, and Pak Budi, as the farmer, agreed to do a muzara'ah contract for 1 hectare of agricultural land. Based on the agreement, Mr. Andi will receive 60% of the harvest, while Mr. Budi will receive 40%. On 31 December 2024, the farm harvested 10 tons of rice at a market price of IDR 5,000 per kilogram. The total yield is IDR 50,000,000 (10 tons \times 1,000 kg/ton \times IDR 5,000/kg). Revenue Recognition: The revenue recognized by Pak Andi as the landowner is 60% of the total harvest: $\text{IDR } 50,000,000 \times 60\% = \text{IDR } 30,000,000$. The income recognized by Pak Budi as a farmer is 40% of the total harvest, namely: $\text{IDR } 50,000,000 \times 40\% = \text{IDR } 20,000,000$	Debit: Cash (Pak Andi) IDR 30,000,000 Debit: Cash (Pak Budi) IDR 20,000,000 Credit: Muzara'ah Income IDR 50,000,000 Thus, the muzara'ah income of IDR 50,000,000 has been recognized and distributed to Pak Andi and Pak Budi in accordance with the profit-sharing agreement.
Measurement of Revenue	Revenue is measured based on the fair value of the crops received. The fair value can be determined by the market price or by the value agreed upon by both parties. Illustration: On January 1, 2024, Mr. Andi, as a landowner, and Mr. Budi, as a farmer, agreed to do a muzara'ah contract for 1 hectare of agricultural land. Based on the agreement, Mr. Andi will receive 60% of the harvest, while Mr. Budi will receive 40%. On 31 December 2024, the farm harvested 10 tons of paddy. The market price of paddy at that time was IDR 5,000 per kilogram. Measurement of Income: Total yield is 10 tons \times 1000 kg/ton = 10,000 kg. The value of the harvest is 10,000 kg \times Rp 5,000/kg = Rp 50,000,000 Mr. Andi's income as a landowner is 60% of IDR 50,000,000, namely: $\text{IDR } 50,000,000 \times 60\% = \text{Rp } 30,000,000$ Mr. Budi's income as a farmer is 40% of IDR 50,000,000, namely:	Debit: Paddy Inventory (10,000 kg) IDR 50,000,000 Credit: Muzara'ah Income (Mr. Andi) IDR 30,000,000 Credit: Muzara'ah Income (Mr. Budi) IDR 20,000,000

Perspective	Description	Journal
Cost Recognition	<p>IDR 50,000,000 x 40% = Rp 20,000,000</p> <p>Costs associated with the muzara'ah contract, such as production costs and other expenses, are recognized as expenses in the same period as revenue recognition. Illustration: On January 1, 2024, Mr. Andi, as the landowner, and Mr. Budi, as the farmer, agreed to do a muzara'ah contract for 1 hectare of agricultural land. Based on the agreement, Mr. Andi will receive 60% of the harvest, while Mr. Budi will receive 40%. During the farming process, Mr. Budi as a farmer incurs the following costs: - Seed cost: IDR 1,000,000 - Fertilizer costs: IDR 2,000,000 - Pesticide costs: IDR 500,000 - Labor costs: IDR 3,000,000. The total costs incurred by Mr. Budi are: IDR 1,000,000 + Rp 2,000,000 + IDR 500,000 + IDR 3,000,000 = IDR 6,500,000. Cost Recognition: Pak Budi's costs are recognized as muzara'ah operational costs.</p>	<p>Debit: Muzara'ah Operating Expenses IDR 6,500,000</p> <p>Credit: Cash IDR 6,500,000</p>
Cost Sharing	<p>Under the agreement, the operational costs of the muzara'ah can be divided between Pak Andi and Pak Budi. For example, Mr. Andi bears 60% of the operational costs, while Mr. Budi bears 40%. The costs borne by Mr. Andi are: IDR 6,500,000 x 60% = IDR 3,900,000. The costs borne by Mr. Budi are: IDR 6,500,000 x 40% = IDR 2,600,000. Thus, muzara'ah operating expenses have been recognized and shared between Pak Andi and Pak Budi based on the agreement</p>	<p>Debit: Muzara'ah Operating Expenses (Mr. Andi) IDR 3,900,000</p> <p>Debit: Muzara'ah Operating Expenses (Mr. Budi) IDR 2,600,000</p> <p>Credit: Muzara'ah Operating Expenses IDR 6,500,000</p>
Cost Measurement	<p>Cost is measured based on the value incurred to acquire goods or services related to the muzara'ah contract (Aksan, 2024). Mr. Andi as a landowner and Mr. Budi as a farmer agreed to do a muzara'ah contract for 1 hectare of agricultural land. During the farming process, Pak Budi buys fertilizer for IDR 2,000,000 and pesticides for Rp 500,000. Cost Measurement: Fertilizer and pesticide costs are measured based on the actual purchase price. Fertilizer cost: Rp 2,000,000. Pesticide cost: IDR 500,000 Total cost: IDR 2,500,000. Cost Allocation: Fertilizer and pesticide costs are allocated as muzara'ah operating expenses.</p>	<p>Debit: Muzara'ah Operating Expenses IDR 2,500,000</p> <p>Credit: Cash IDR 2,500,000</p>
Cost Sharing	<p>Under the agreement, the operational costs of the muzara'ah are shared between Pak Andi and Pak Budi. For example, Mr. Andi bears 60% of the operational costs, while Mr. Budi bears 40%.</p> <p>Costs borne by Mr. Andi: Rp 2,500,000 x 60% = Rp 1,500,000</p> <p>Costs borne by Mr. Budi: Rp 2,500,000 x 40% = Rp 1,000,000</p> <p>Thus, the operational costs of the muzara'ah have been measured and divided between Mr. Andi and Mr. Budi in accordance with the agreement.</p>	<p>Debit: Muzara'ah Operational Expense IDR 1,500,000. Credit: Cash / Payables IDR 1,500,000</p>

In accounting records, the muzara'ah contract can be recorded as shown in the table below:

Transaction	Debit	Credit
Production Cost	xxxx	
Muzara'ah Income (Landowner)		xxxx
Production Cost	xxxx	
Muzara'ah Income (farmer)		Xxxx

It should be noted that the recognition and measurement of income and expenses in muzara'ah contracts may vary depending on the agreement between the landowner and the farmer, as well as the applicable regulations in the country or region. Therefore, it is

important to understand the agreement and applicable regulations before making accounting records. Presentation and disclosure of financial information related to muzara'ah contracts in agriculture (Bangash, 2020).

Table 9. Muzara'ah Accounting Balance Sheet Report Muzara'ah Accounting Balance Sheet Report

Balance Sheet Report Per 31 Desember 2024	
Assets	Liabilities
- Cash: Rp 15,000,000	- Payable: IDR 10,000,000
- Receivables: Rp 8,000,000	- Landowner Capital: IDR 80,000,000
- Inventory: Rp 20,000,000	- Farmer Capital: Rp 53,000,000
- Farmland: Rp 100,000,000	Total Passiva: IDR 143,000,000
Total Assets: Rp 143,000,000	

Notes:

- Farmland is valued at fair value.

Landowner's Capital and Farmer's Capital are presented based on the 60:40 profit-sharing agreement

Thus, the Muzara'ah Balance Sheet can provide an overview of the financial

position of Muzara'ah at a particular date.

Table 10. Muzara'ah Accounting Profit and Loss Statement Report

Profit and Loss Statement Report Period January 1, 2024 - December 31, 2024	
<u>Income</u>	<u>Gross Profit</u>
- Muzara'ah Income: Rp 100,000,000	- Gross Profit: Rp 55,000,000 (Rp 100,000,000 - Rp 45,000,000)
Total Revenue: Rp 100,000,000	<u>Profit Share</u>
<u>Expenses</u>	- Landowner's Profit Share (60%): Rp 33,000,000
- Operating Expenses: Rp 30,000,000	- Farmer's Profit Share (40%): Rp 22,000,000
- Maintenance Costs: IDR 10,000,000	<u>Net Profit</u>
- Other Costs: Rp 5,000,000	- Landowner's Net Profit: Rp 33,000,000
<u>Total Cost: Rp 45,000,000</u>	- Farmer's Net Profit: Rp 22,000,000

Thus, the Muzara'ah Profit and Loss statement can provide an overview of the results of the Muzara'ah business during a certain period and the distribution of profits between landowners and farmers. Cash Flow Statement: The contractual muzara'ah

cash flow statement should present the cash inflows and outflows from the muzara'ah activities (Stiawan, 2024). So, it is reasonable to develop into the prospective activities. Also, increasing many relevant factors to achieve prosperity and well-being for societies.

Table 11. Muzara'ah Accounting Cash Flow Statement

Profit and Loss Statement Report	
Period January 1, 2024 - December 31, 2024	
Cash Flow from Operating Activities - Muzara'ah Income: IDR 100,000,000 - Operating Expenses: IDR (30,000,000) - Maintenance Expenses: IDR (10,000,000) - Other Expenses: Rp (5,000,000) Net Cash Flow from Operating Activities: IDR 55,000,000 Cash Flow from Investing Activities - Purchase of Inventory: IDR (20,000,000) - Purchase of Agricultural Equipment: IDR (15,000,000) Net Cash Flow from Investing Activities: IDR (35,000,000)	Cash Flows from Financing Activities - Landowner's Capital: IDR 80,000,000 - Farmer Capital: IDR 20,000,000 Net Cash Flow from Financing Activities: IDR 100,000,000 Increase (Decrease) in Cash - Increase in Cash: IDR 120,000,000 (IDR 55,000,000 + IDR 100,000,000 - IDR 35,000,000) Beginning of Period Cash - Beginning of Period Cash: IDR 10,000,000 End of Period Cash - End of Period Cash: IDR 130,000,000 (IDR 0,000,000 + IDR 120,000,000)

Thus, the Muzara'ah Cash Flow Statement can provide an overview of the cash inflows and outflows from Muzara'ah activities during a certain period. Thus, the presentation and disclosure of financial information related to muzara'ah contracts in agriculture can provide a clear picture of the financial position and business results of muzara'ah, and help users of financial statements in making informed decisions.

CONCLUSION

Recognizing muzara'ah contracts in agriculture is crucial for overseeing and documenting financial activities transparently and responsibly. Revenue is recognized when the harvest is collected and quantifiable. It is assessed at fair value based on market rates or mutual consent, while associated costs are recognized and assessed in the same timeframe as the

revenue. The correct application of these accounting principles enables precise reporting of yields, expenses, and profit distributions between landowners and sharecroppers. Consequently, muzara'ah accounting enhances decision-making and builds trust between the parties involved.

Accounting for muzara'ah contracts in agriculture is an important system for managing and reporting financial transactions related to muzara'ah contracts. A proper accounting system can provide accurate and transparent information on agricultural information such as costs and profit sharing for landowners and crop farmers.

Revenue Recognition Revenue in a muzara'ah contract is recognized when the crop has been received and can be measured. The revenue recognized is the share of the harvest

due to the landowner and the farmer, in accordance with the production-sharing agreement. Revenue is measured at the fair value of the crops received. Fair value can be determined by market prices or by values agreed upon by both parties.

Cost Recognition in muzara'ah contracts, such as production costs and other costs, are recognized as expenses in the same period as revenue recognition. Measurement Costs are measured based on the value incurred to acquire goods or services related to the muzara'ah contract.

Authors declaration

Consent to participate

Authors are agreed

Consent to publication

The authors agree to publish this data

Conflict of interest

The authors declare no conflict of interest

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