Challenges of Islamic Financial Accounting in the Spin-Off Process of Islamic Business Units within Islamic Financial Institutions

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This study aims to analyze the challenges of Islamic financial accounting in the spin-off process of Islamic Business Units (Unit Usaha Syariah/UUS) within Islamic financial institutions in Medan City. The study employed a descriptive qualitative approach, with data collected through in-depth interviews, observations, open-ended questionnaires, and documentation. Research informants were selected using purposive sampling and included management personnel, accounting and finance staff, compliance officers, internal auditors, and other individuals with a comprehensive understanding of Islamic financial accounting practices and the spin-off process. The findings reveal that the primary challenges in the spin-off process are associated with the separation of assets and liabilities, the readiness of accounting information systems, the implementation of Islamic accounting standards, the quality of human resources, the documentation of Sharia contracts (akad), and the preparation of independent financial statements. The Islamic Business Unit of Bank Sumut served as the institution most directly relevant to the spin-off issue, while institutions that had already transformed into Islamic Commercial Banks (Bank Umum Syariah/BUS) and non-bank Islamic financial institutions were used as comparative cases for Islamic accounting practices. The study concludes that the success of the spin-off process depends not only on regulatory and institutional readiness but also on the preparedness of Islamic financial accounting systems that are well-organized, transparent, and fully compliant with Sharia principles.
Keywords: Islamic financial accounting, spin-off, Islamic Business Unit (UUS), Islamic financial institutions, Medan City.

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1. Introduction

The development of the Islamic financial industry in Indonesia has reflected the growing public demand for financial services that comply with Islamic principles (Handayani, 2022). Islamic financial institutions are not only expected to provide competitive financial products and services but are also required to ensure that all operational activities are conducted in accordance with Sharia principles, regulatory requirements, and applicable accounting standards (Fikri et al., 2025). Islamic financial accounting extends beyond the technical process of recording financial transactions; it also serves as a mechanism of accountability to stakeholders (Aulia et al., 2025). Every transaction undertaken by an Islamic financial institution must be supported by a clearly defined contractual agreement (*akad*) and accounted for in accordance with the substance of the underlying contract (Sari et al., 2025). The diverse characteristics of Sharia contracts, including *murabahah*, *mudharabah*, *musyarakah*, *ijarah*, and other contractual arrangements, require an adequate understanding of Islamic accounting standards to ensure that financial statements fairly represent the institution's financial position while maintaining transparency and compliance with Sharia principles (Mukhlisin, 2021).

One of the most significant issues in strengthening Indonesia's Islamic financial industry is the policy concerning the spin-off of Islamic Business Units (*Unit Usaha Syariah*—UUS). This policy is intended to encourage Islamic Business Units to evolve into more independent entities with stronger corporate governance and greater competitiveness within the Islamic financial sector (Rambe et al., 2021). The spin-off process involves not only institutional restructuring but also substantial changes in operational activities, financial management, legal arrangements, risk management, information systems, human resources, and financial reporting practices (Dja'akum et al., 2024).

The spin-off of Islamic Business Units is particularly relevant to Islamic financial institutions in Medan City. As one of Indonesia's major economic centers, Medan possesses considerable potential for the expansion of Islamic financial services. The predominance of the Muslim population, active commercial activities, the growth of micro, small, and medium-sized enterprises (MSMEs), and the increasing demand for Sharia-based financial services all contribute to the importance of strengthening Islamic financial institutions in the region (Rahmayati et al., 2022). The separation of an Islamic Business Unit from its parent conventional bank creates complex accounting consequences. An Islamic Business Unit that previously operated within the organizational structure of a conventional commercial bank must establish an independent accounting and financial reporting system. This separation requires a clear identification of assets, liabilities, equity, revenues, expenses, and Sharia-based transactions that will be transferred to the newly established entity. Accounting readiness is therefore essential because the initial financial statements of the new institution serve as the basis for evaluating its financial position, performance, and operational sustainability following the spin-off (Razak & Firmansyah, 2021).

Challenges in Islamic financial accounting during the spin-off process may arise throughout various stages of implementation. During the preparation stage, institutions are required to identify and map all transactions, contracts, productive assets, liabilities, and third-party funds associated with the Islamic Business Unit (Nesneri et al., 2020). During the implementation stage, institutions must ensure that the transfer of financial data, account reconciliation, and adjustments to accounting information systems are performed accurately. Following the completion of the spin-off, the newly established entity must be capable of independently preparing Sharia-compliant financial statements, fulfilling regulatory requirements, and consistently implementing Islamic accounting standards (Miarti & Mudzakar, 2021).

The importance of the Islamic Business Unit spin-off is further emphasized by the fact that many Islamic Business Units remain dependent on their parent banks for supporting functions, including information technology, internal control systems, risk management, financial reporting, and human resources. Once the separation takes place, all of these components must be reorganized systematically to prevent errors in accounting records, account classification, transaction recognition, contract documentation, and delays in financial reporting (Yuspin et al., 2020). Furthermore, the readiness of human resources represents another critical factor, as the spin-off process requires accounting professionals who possess not only expertise in financial accounting but also a comprehensive understanding of Sharia principles, the characteristics of Islamic contracts, Islamic accounting standards, and the reporting requirements applicable to Islamic financial institutions (Jaya et al., 2025).

Previous studies on the spin-off of Islamic Business Units have primarily focused on regulatory frameworks, capital adequacy, operational efficiency, financial performance, and the competitiveness of Islamic banking institutions. Comparatively less attention has been devoted to Islamic financial accounting, particularly within Islamic financial institutions in Medan City (Yusuf et al., 2023). Nevertheless, the success of the spin-off process depends not only on regulatory compliance and institutional restructuring but also on the readiness of accounting systems to produce reliable, transparent, and Sharia-compliant financial statements (Rusmita et al., 2022).

This research gap indicates that Islamic financial accounting should be recognized as a fundamental component of the Islamic Business Unit spin-off process. Institutional separation without adequate accounting preparedness may adversely affect the quality of financial reporting, the accuracy of managerial decision-making, and stakeholders' confidence in the newly established Islamic financial institution (Qimyatussa'adah & Ramadhani, 2024). The novelty of this study lies in its emphasis on Islamic financial accounting as the primary focus of the spin-off process of Islamic Business Units within Islamic financial institutions in Medan City. Rather than examining spin-offs solely from the perspectives of regulatory compliance or institutional strengthening, this study investigates the accounting challenges arising throughout the separation process, including transaction recognition, measurement, presentation, disclosure, the segregation of assets and liabilities, and the readiness of Sharia financial reporting systems (Abras & Jayasinghe, 2023). This perspective is essential because the quality of accounting practices and financial reporting substantially determines the accountability of Islamic financial institutions following the completion of the spin-off process (Jaradat & Oudat, 2025).

Based on the foregoing discussion, this study aims to analyze the challenges of Islamic financial accounting in the spin-off process of Islamic Business Units within Islamic financial institutions in Medan City. It is expected to provide a comprehensive understanding of the accounting challenges encountered, the readiness of institutions to implement Islamic accounting standards, and the implications of the spin-off process for the quality of financial information.

2. Methods

This study employed a descriptive qualitative approach to analyze the challenges of Islamic financial accounting in the spin-off process of Islamic Business Units (*Unit Usaha Syariah*—UUS) within Islamic financial institutions in Medan City. This approach was selected because the study focuses on gaining an in-depth understanding of institutional readiness, the implementation of Islamic accounting standards, financial reporting systems, the separation of assets and liabilities, and the challenges encountered during the spin-off process of Islamic Business Units (Creswell & Creswell, 2022). The research was conducted at Islamic financial institutions in Medan City, including both Islamic banking institutions and non-bank Islamic financial institutions (Doyle et al., 2020). The primary research objects consisted of institutions directly associated with Islamic Business Units and the spin-off process, while non-bank Islamic financial institutions were included as supporting sources to provide a broader perspective on Islamic accounting and financial reporting practices (Miles et al., 2020).

Table 1. Islamic Financial Institutions in Medan City

No.	Name of Islamic Financial Institution	Institutional Type/Category
1	Bank Sumut Islamic Business Unit (*Bank Sumut Unit Usaha Syariah*)	Islamic Business Unit (UUS)
2	Bank Syariah Indonesia, Medan Branch	Islamic Commercial Bank
3	Bank Muamalat Indonesia, Medan Branch	Islamic Commercial Bank
4	BCA Syariah, Medan Branch	Islamic Commercial Bank
5	Bank Mega Syariah, Medan Branch	Islamic Commercial Bank
6	BTPN Syariah, Medan Branch	Islamic Commercial Bank
7	Pegadaian Syariah Medan	Islamic Pawnshop
8	KSU Syariah BMT Tarbiyah Madani Medan	Islamic Cooperative/Baitul Maal wat Tamwil (BMT)
9	Koperasi Syariah BMT El Munawar Medan	Islamic Cooperative/Baitul Maal wat Tamwil (BMT)

No.	Name of Islamic Financial Institution	Institutional Type/Category
10	Syariah BMT Serumpun Medan	Islamic Cooperative/Baitul Maal wat Tamwil (BMT)
11	PNM Mekaar Syariah, Medan Branch	Islamic Microfinance Institution
12	PNM Ventura Syariah	Islamic Venture Capital Institution

3. Research Results

This study was conducted at several Islamic financial institutions in Medan City, focusing on the challenges of Islamic financial accounting in the spin-off process of Islamic Business Units (*Unit Usaha Syariah*—UUS). The analysis focused on institutional status, accounting readiness, the separation of assets and liabilities, accounting information systems, the implementation of Islamic accounting standards, human resource readiness, and institutional strategies for managing the spin-off process (Ilyas, 2020). From a regulatory perspective, the findings indicate that the spin-off of an Islamic Business Unit may be carried out either through the establishment of a new Islamic Commercial Bank (*Bank Umum Syariah*—BUS) or through the transfer of the rights and obligations of the Islamic Business Unit to an existing Islamic Commercial Bank (Mainata et al., 2023).

Profile of Research Informants

Table 2. Profile of Research Informants

No.	Name of Islamic Financial Institution	Institutional Status/Category	Informant Group
1	Bank Sumut Islamic Business Unit (*Bank Sumut Unit Usaha Syariah*)	Islamic Business Unit (UUS)	Management, accounting/finance, compliance, internal audit
2	BTPN Syariah, Medan Branch	Islamic Commercial Bank established through a spin-off	Management, operations, accounting/finance
3	Bank Syariah Indonesia, Medan Branch	Islamic Commercial Bank established through a merger	Management, operations, accounting/finance
4	Bank Muamalat Indonesia, Medan Branch	Islamic Commercial Bank	Management, operations, accounting/finance
5	BCA Syariah, Medan Branch	Islamic Commercial Bank established through conversion	Management, operations, accounting/finance
6	Bank Mega Syariah, Medan Branch	Islamic Commercial Bank	Management, operations, accounting/finance
7	Pegadaian Syariah Medan	Non-bank Islamic financial institution	Service management and financial administration
8	Islamic BMT/Cooperatives in Medan City	Islamic microfinance institution	Management board, administration, and financing division

Source: Processed data, 2026.

Based on Table 2, the research informants were drawn from both banking and non-bank Islamic financial institutions in Medan City. The informants were selected because they were directly involved in Islamic financial accounting practices, financial reporting, regulatory compliance, internal auditing, and the spin-off process of Islamic Business Units. The composition of the informants was considered appropriate for providing comprehensive insights into the readiness and challenges of Islamic financial accounting from various institutional perspectives (Meilani, 2020).

Institutional Status and Its Relationship to the Spin-Off Process

Table 3. Institutional Status of Islamic Financial Institutions

No.	Name of Islamic Financial Institution	Spin-Off/Institutional Status	Research Findings
1	Bank Sumut Islamic Business Unit (*Bank Sumut Unit Usaha Syariah*)	Not yet spun off	Remains an Islamic Business Unit (UUS), making it the primary object of this study.
2	BTPN Syariah, Medan Branch	Completed spin-off	Serves as a comparison institution that has become an independent Islamic Commercial Bank (BUS).
3	Bank Syariah Indonesia, Medan Branch	Not a spin-off; established through a merger	Serves as a comparative case for Sharia financial reporting in a merged Islamic bank.
4	Bank Muamalat Indonesia, Medan Branch	Islamic Commercial Bank	Serves as a comparison with an independently operating Islamic bank.
5	BCA Syariah, Medan Branch	Islamic Commercial Bank established through conversion	Serves as a comparison for financial reporting practices following institutional conversion.
6	Bank Mega Syariah, Medan Branch	Islamic Commercial Bank	Serves as a comparison for accounting practices in an independent Islamic bank.
7	Pegadaian Syariah Medan	UUS spin-off not applicable	A non-bank Islamic financial institution used as a comparison for Sharia transaction practices.
8	Islamic BMT/Cooperatives in Medan City	UUS spin-off not applicable	Islamic microfinance institutions used as a comparison for Sharia financing accounting practices.

Source: Processed data, 2026.

Based on Table 3, Islamic financial institutions in Medan City exhibit different institutional statuses. The Islamic Business Unit of Bank Sumut (*Bank Sumut Unit Usaha Syariah*) is the institution most closely associated with the spin-off issue because it continues to operate as an Islamic Business Unit (Purwantika & Mauluddi, 2023). BTPN Syariah serves as a comparative institution because it has successfully completed the spin-off process, while other Islamic Commercial Banks and non-bank Islamic financial institutions are used as comparative cases for examining Islamic financial accounting practices (Pratiwi et al., 2021).

Readiness of Islamic Financial Accounting

Table 4. Readiness of Islamic Financial Accounting in Islamic Financial Institutions

No.	Name of Islamic Financial Institution	Institutional Status	Findings on Accounting Readiness
1	Bank Sumut Islamic Business Unit (*Bank Sumut Unit Usaha Syariah*)	Not yet spun off	Requires strengthening in account segregation, preparation of opening financial statements, and the establishment

No.	Name of Islamic Financial Institution	Institutional Status	Findings on Accounting Readiness
			of an independent financial reporting system.
2	BTPN Syariah	Completed spin-off	Accounting system has been fully implemented as an independent Islamic Commercial Bank (BUS).
3	Bank Syariah Indonesia	Islamic Commercial Bank established through a merger	Financial reporting system operates independently but requires strong data integration.
4	Bank Muamalat Indonesia	Islamic Commercial Bank	Islamic accounting system has been fully implemented as a standalone Islamic bank.
5	BCA Syariah	Islamic Commercial Bank established through conversion	Financial reporting system has been adjusted to the structure of an Islamic Commercial Bank.
6	Bank Mega Syariah	Islamic Commercial Bank	Financial reporting is conducted within the framework of an independent Islamic bank.
7	Pegadaian Syariah	Non-bank Islamic financial institution	Accounting records follow the characteristics of Islamic pawn financing and financing transactions.
8	Islamic BMT/Cooperatives	Non-bank Islamic financial institution	Accounting practices are relatively simple, focusing primarily on members' savings and financing activities.

Source: Processed data, 2026.

Based on Table 4, the level of Islamic financial accounting readiness varies across institutions. The Islamic Business Unit of Bank Sumut (*Bank Sumut Unit Usaha Syariah*) still requires improvements in account segregation, the preparation of opening financial statements, and the development of an independent financial reporting system (Suryawadi, 2025). Institutions that have already become Islamic Commercial Banks are generally better prepared because they have established independent financial reporting systems, whereas non-bank Islamic financial institutions apply relatively simpler accounting practices that correspond to the nature of their transactions (Hiya et al., 2022).

Challenges in the Separation of Assets and Liabilities

Table 5. Challenges in the Separation of Assets and Liabilities

No.	Name of Islamic Financial Institution	Institutional Status	Identified Challenges
1	Bank Sumut Islamic Business Unit (*Bank Sumut Unit Usaha Syariah*)	Not yet spun off	The separation of assets, liabilities, third-party funds, financing portfolios, revenues, and expenses constitutes the primary challenge.
2	BTPN Syariah	Completed spin-off	Challenges are primarily related to maintaining consistency in financial reporting after becoming an Islamic Commercial Bank.

No.	Name of Islamic Financial Institution	Institutional Status	Identified Challenges
3	Bank Syariah Indonesia	Islamic Commercial Bank established through a merger	Challenges relate to data standardization and the consolidation of financial reporting.
4	Bank Muamalat Indonesia	Islamic Commercial Bank	Does not face UUS separation issues but serves as a comparative case for the accounting treatment of Islamic assets and liabilities.
5	BCA Syariah	Islamic Commercial Bank established through conversion	Challenges concern maintaining consistency in financial reporting following institutional conversion.
6	Bank Mega Syariah	Islamic Commercial Bank	Challenges relate to internal control and the accurate classification of Sharia-compliant transactions.
7	Pegadaian Syariah	Non-bank Islamic financial institution	Challenges involve the accounting treatment of financing assets and pledged collateral.
8	Islamic BMT/Cooperatives	Non-bank Islamic financial institution	Challenges concern the accounting of members’ savings, financing activities, and cooperative liabilities.

Source: Processed data, 2026.

Based on Table 5, the principal challenge in the spin-off process lies in the separation of assets, liabilities, third-party funds, financing portfolios, revenues, and expenses. This challenge is most evident in the Islamic Business Unit of Bank Sumut because it continues to operate within the organizational structure of its parent conventional bank. If the separation process is not conducted carefully and systematically, it may compromise the accuracy of the opening financial statements of the newly established spin-off entity (Nabilah & Al Arif, 2022).

Challenges of the Accounting Information System

Table 6. Challenges of the Accounting Information System

No.	Name of Islamic Financial Institution	Institutional Status	Findings on the Accounting Information System
1	Bank Sumut Islamic Business Unit (*Bank Sumut Unit Usaha Syariah*)	Not yet spun off	The system must be prepared to generate independent financial reports following the spin-off.
2	BTPN Syariah	Completed spin-off	The accounting information system has been fully implemented as an independent Islamic Commercial Bank (BUS).
3	Bank Syariah Indonesia	Islamic Commercial Bank established through a merger	The reporting system requires the integration of data from the merged banking network.
4	Bank Muamalat Indonesia	Islamic Commercial Bank	The reporting system has been fully implemented within the structure of an independent Islamic bank.

No.	Name of Islamic Financial Institution	Institutional Status	Findings on the Accounting Information System
5	BCA Syariah	Islamic Commercial Bank established through conversion	The information system adequately supports financial reporting as an Islamic Commercial Bank.
6	Bank Mega Syariah	Islamic Commercial Bank	The reporting system supports the independent recording of Sharia-compliant transactions.
7	Pegadaian Syariah	Non-bank Islamic financial institution	The accounting system focuses on Islamic pawn financing and financing transactions.
8	Islamic BMT/Cooperatives	Non-bank Islamic financial institution	The accounting system is relatively simple and primarily supports member administration.

Source: Processed data, 2026.

Based on Table 6, the accounting information system constitutes a critical component of the spin-off process. Islamic Business Units that remain within the organizational structure of their parent banks require information systems capable of accurately separating Sharia-related financial data. Accounting systems that are not fully independent may result in reporting delays, discrepancies in account balances, account classification errors, and challenges during the audit process (Ilyas, 2020).

Implementation of Islamic Accounting Standards

Table 7. Implementation of Islamic Accounting Standards

No.	Name of Islamic Financial Institution	Institutional Status	Findings on the Implementation of Islamic Accounting Standards
1	Bank Sumut Islamic Business Unit (*Bank Sumut Unit Usaha Syariah*)	Not yet spun off	Requires strengthening in the implementation of Islamic accounting standards during account separation and the preparation of opening financial statements.
2	BTPN Syariah	Completed spin-off	Islamic accounting standards have been fully implemented within the structure of an Islamic Commercial Bank.
3	Bank Syariah Indonesia	Islamic Commercial Bank established through a merger	Standards are implemented through the financial reporting system of a large Islamic banking institution.
4	Bank Muamalat Indonesia	Islamic Commercial Bank	Islamic accounting standards are fully integrated into the bank's operational activities.
5	BCA Syariah	Islamic Commercial Bank established through conversion	The implementation of standards has been adapted to the reporting requirements of an Islamic Commercial Bank.
6	Bank Mega Syariah	Islamic Commercial Bank	Standards are applied in the recognition, presentation, and disclosure of Sharia-compliant transactions.

No.	Name of Islamic Financial Institution	Institutional Status	Findings on the Implementation of Islamic Accounting Standards
7	Pegadaian Syariah	Non-bank Islamic financial institution	Sharia principles are implemented according to the characteristics of Islamic pawn financing and financing transactions.
8	Islamic BMT/Cooperatives	Non-bank Islamic financial institution	Islamic accounting practices are relatively simple, reflecting the scale and nature of the institution's transactions.

Source: Processed data, 2026.

Table 7 demonstrates that the implementation of Islamic accounting standards varies in complexity across institutions. The Islamic Business Unit of Bank Sumut (*Bank Sumut Unit Usaha Syariah*) requires further strengthening in its understanding and implementation of Islamic accounting standards because the spin-off process necessitates the preparation of financial statements that are fully independent from those of the parent bank. Institutions that already operate as Islamic Commercial Banks are generally more experienced in preparing independent financial reports (Hiya et al., 2022).

Human Resource Readiness

Table 8. Human Resource Readiness

No.	Name of Islamic Financial Institution	Institutional Status	Findings on Human Resource Readiness
1	Bank Sumut Islamic Business Unit (*Bank Sumut Unit Usaha Syariah*)	Not yet spun off	Human resources require further capacity building in the spin-off process, account separation, and financial reporting as an Islamic Commercial Bank.
2	BTPN Syariah	Completed spin-off	Human resources operate within the framework of an independent Islamic Commercial Bank.
3	Bank Syariah Indonesia	Islamic Commercial Bank established through a merger	Human resources are supported by a large institutional structure and an integrated reporting system.
4	Bank Muamalat Indonesia	Islamic Commercial Bank	Human resources are experienced in the operations of a fully established Islamic bank.
5	BCA Syariah	Islamic Commercial Bank established through conversion	Human resources have successfully adapted to the reporting system of an Islamic Commercial Bank.
6	Bank Mega Syariah	Islamic Commercial Bank	Human resources support the reporting and internal control of Sharia-compliant transactions.
7	Pegadaian Syariah	Non-bank Islamic financial institution	Human resources possess expertise in Islamic pawn financing and Sharia-based financing transactions.
8	Islamic BMT/Cooperatives	Non-bank Islamic financial institution	Human resources are responsible for recording members' savings, financing activities, and administrative functions.

Source: Processed data, 2026.

Based on Table 8, human resource readiness represents a crucial factor in supporting the implementation of Islamic financial accounting. The spin-off process requires accounting personnel who not only possess expertise in financial accounting but also have a thorough understanding of Sharia contracts (*akad*), Islamic accounting standards, account reconciliation procedures, internal control systems, and the preparation of Sharia-compliant financial statements. For institutions that have not yet undertaken the spin-off process, the need for human resource development is even greater because institutional restructuring will significantly affect operational procedures, financial reporting responsibilities, and the segregation of financial data (Meilani, 2020).

Institutional Strategies for Addressing the Challenges of Islamic Financial Accounting

Table 9. Strategies for Strengthening Islamic Financial Accounting

No.	Name of Islamic Financial Institution	Institutional Status	Strategies to Be Strengthened
1	Bank Sumut Islamic Business Unit (*Bank Sumut Unit Usaha Syariah*)	Not yet spun off	Account mapping, segregation of assets and liabilities, human resource training, and the development of an independent financial reporting system.
2	BTPN Syariah	Completed spin-off	Evaluation of financial reporting quality and strengthening of internal control following the spin-off.
3	Bank Syariah Indonesia	Islamic Commercial Bank established through a merger	Strengthening the consistency of financial reporting and the integration of Islamic financial data.
4	Bank Muamalat Indonesia	Islamic Commercial Bank	Enhancing the quality of financial information and ensuring continued compliance with Sharia principles.
5	BCA Syariah	Islamic Commercial Bank established through conversion	Strengthening the financial reporting system and the disclosure of Sharia-compliant transactions.
6	Bank Mega Syariah	Islamic Commercial Bank	Enhancing internal control systems and improving the accountability of financial reporting.
7	Pegadaian Syariah	Non-bank Islamic financial institution	Strengthening the accounting of Islamic pawn financing and Sharia financing transactions.
8	Islamic BMT/Cooperatives	Non-bank Islamic financial institution	Strengthening administrative procedures, contract (*akad*) documentation, and members' financing reports.

Source: Processed data, 2026.

Table 9 indicates that strategies for strengthening Islamic financial accounting should be tailored to the institutional status of each Islamic financial institution. The Islamic Business Unit of Bank Sumut (*Bank Sumut Unit Usaha Syariah*) requires a more comprehensive strategy because it continues to operate as an Islamic Business Unit and is therefore a potential candidate for a future spin-off. The primary strategies that require reinforcement include account segregation, data validation, human resource capacity building, documentation of Sharia contracts (*akad*), and the establishment of an independent financial reporting system. Institutions that have already become Islamic Commercial Banks place greater emphasis on maintaining the consistency of financial reporting, strengthening internal control systems, and improving the quality of financial information. In contrast, non-bank Islamic financial institutions focus primarily on enhancing the administration and recording of Sharia-compliant transactions in accordance with the characteristics of their respective financial services (Al Arif et al., 2020).

Discussion

Readiness of Islamic Financial Accounting in the Spin-Off Process of Islamic Business Units

The readiness of Islamic financial accounting among Islamic financial institutions in Medan City varies according to their institutional status. The Islamic Business Unit of Bank Sumut (*Bank Sumut Unit Usaha Syariah*) is the institution most closely associated with the spin-off issue because it continues to operate as an Islamic Business Unit. Consequently, it requires comprehensive preparation in account segregation, data reconciliation, *akad* documentation, the preparation of opening financial statements, the establishment of an independent financial reporting system, and the development of human resources with expertise in Islamic accounting (Purwantika & Mauluddi, 2023). In contrast, institutions that have already become Islamic Commercial Banks (*Bank Umum Syariah*—BUS), such as BTPN Syariah, Bank Syariah Indonesia, Bank Muamalat Indonesia, BCA Syariah, and Bank Mega Syariah, have established more independent financial reporting systems. These findings indicate that the spin-off process is not merely an institutional restructuring exercise but also requires comprehensive accounting preparedness to ensure that the newly established entity is capable of producing transparent, accurate, and Sharia-compliant financial statements.

The implications of these findings suggest that institutions that remain in the form of Islamic Business Units should prepare their accounting systems through a gradual and systematic process. Such preparation includes account mapping, transaction data validation, the development of internal accounting policies, strengthening *akad* documentation, providing Islamic accounting training, and developing accounting information systems capable of supporting independent financial reporting (Amri & Rahmawati, 2025). This preparedness is essential to ensure that the spin-off process not only complies with regulatory requirements but also results in Islamic financial institutions that are accountable, transparent, and capable of independently fulfilling their financial reporting responsibilities (Rysaldi & Santoso, 2022). These findings are consistent with those of Suryawadi (2025), who reported that the readiness for the spin-off of Islamic Business Units is influenced by institutional capacity, organizational preparedness, operational systems, and the institution's ability to operate independently. The findings are further supported by Nesneri et al. (2020), who emphasized that spin-off preparation encompasses business operations, financial management, organizational structure, human resources, information technology, legal compliance, and licensing requirements.

Challenges of Islamic Financial Accounting in the Spin-Off Process of Islamic Business Units

The challenges of Islamic financial accounting in the spin-off process of Islamic Business Units within Islamic financial institutions in Medan City include the separation of assets and liabilities, revenues and expenses, the readiness of accounting information systems, the implementation of Islamic accounting standards, *akad* documentation, and the preparedness of human resources. The most significant challenges were identified in the Islamic Business Unit of Bank Sumut because it remains integrated within the organizational structure of its parent conventional bank, requiring all financial components to be clearly separated once the spin-off process is implemented (Mainata et al., 2023). Such separation must be carried out in accordance with the substance of the underlying *akad* and Islamic accounting standards to prevent errors in transaction classification, recognition, and financial statement presentation. Furthermore, accounting information systems and the competencies of human resources must be strengthened to ensure that accounting, reconciliation, reporting, and auditing processes can be conducted independently. Although non-bank Islamic financial institutions such as Pegadaian Syariah and Islamic BMT/Cooperatives are not directly subject to banking spin-off regulations, they remain valuable comparative cases because they also encounter challenges in transaction recording, *akad* documentation, and the preparation of Sharia-compliant financial statements (Saadah, 2022).

The implications of these findings indicate that accounting challenges associated with the spin-off process should be addressed from the preparation stage onward. Islamic financial institutions need to conduct comprehensive evaluations of their financial data, accounting systems, *akad* documentation, internal policies, and employee readiness before implementing institutional separation. Such preparation is essential to ensure that the newly established spin-off entity does not encounter financial reporting problems during its initial operational stage (Abdullah et al., 2023). These findings are consistent with those of Pratiwi et al. (2021), who found that the spin-off policy for Islamic Business Units continues to face challenges related to institutional readiness for transformation into Islamic Commercial Banks. Their study emphasized that spin-off readiness should not be assessed solely from a regulatory perspective but must also consider operational and institutional preparedness. The present findings are further supported by Trinugroho et al. (2021), who concluded that spin-off policies do not automatically improve the performance and stability of Islamic banks unless they are supported by adequate internal readiness.

Strategies of Islamic Financial Institutions for Addressing Accounting Challenges in the Spin-Off Process

Islamic financial institutions should adopt systematic strategies to address accounting challenges arising during the spin-off process. These strategies include account mapping, the segregation of assets and liabilities, financial data validation, strengthening accounting information systems, enhancing human resource competencies, developing internal accounting guidelines, and reinforcing internal control and audit functions. As an institution that has not yet undergone a spin-off, the Islamic Business Unit of Bank Sumut (*Bank Sumut Unit Usaha Syariah*) needs to prepare a more comprehensive separation of financial data from its parent bank to ensure that all Sharia-compliant transactions can be clearly identified based on their underlying *akad*, transaction values, assets, liabilities, revenues, and expenses (Suryawadi, 2025). Furthermore, the accounting information system must be capable of independently supporting transaction recording, account reconciliation, financial reporting, and internal monitoring.

Institutions that have already become Islamic Commercial Banks demonstrate that independent financial reporting requires stable information systems, well-defined procedures, competent human resources, and effective internal control mechanisms. Meanwhile, non-bank Islamic financial institutions indicate that Islamic accounting strategies should be adapted to the specific characteristics of their respective financial services and transaction types.

The implications of these findings suggest that strategies for strengthening Islamic financial accounting should be implemented in a planned and sustainable manner. Islamic financial institutions should develop technical guidelines for account segregation, conduct audits to assess data readiness, strengthen the documentation of *akad*, enhance employee training, and establish effective coordination among the accounting, compliance, internal audit, information technology, and management functions. These findings are consistent with those reported by Rusmita et al. (2022), who found that Islamic banks may be established through various institutional transformation mechanisms, including spin-offs, mergers, and conversions, each of which has different implications for institutional performance and management. Their study emphasizes that institutional transformation must be accompanied by strengthened operational systems and sound financial management to enable Islamic banks to operate independently. The present findings are also consistent with Yusuf et al. (2023), who argued that although the spin-off of Islamic banks has been widely discussed from legal and economic perspectives, further research is still needed on the technical aspects of institutional governance and organizational management.

4. Conclusion

This study concludes that the primary challenges of Islamic financial accounting in the spin-off process of Islamic Business Units within Islamic financial institutions in Medan City are associated with the readiness to separate assets and liabilities, the adequacy of accounting information systems, the implementation of Islamic accounting standards, the quality of human resources, and the preparation of independent financial statements. The Islamic Business Unit of Bank Sumut (*Bank Sumut Unit Usaha Syariah*) represents the institution most directly associated with the spin-off issue, while Islamic Commercial Banks and non-bank Islamic financial institutions serve as comparative cases for examining Islamic accounting practices. The findings demonstrate that the success of the spin-off process depends not only on regulatory compliance but also on the readiness of Islamic financial accounting systems that are well-organized, transparent, accountable, and fully compliant with Sharia principles.

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