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**“REVENUE FROM PROFIT SHARING AND THEIR ACCOUNTING TREATMENT IN ISLAMIC BANKS  
”(CASE STUDY AT IT. BANK SYARIAH MANDIRI PADANG BRANCH OFFICE)**

**THESIS**



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2012**

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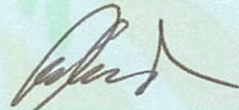
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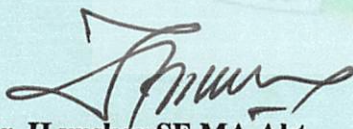


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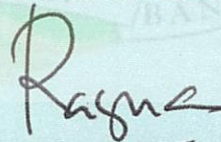
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## ABSTRACT

*The result imply that after economic crises at mid 1997, the development of islamic Banking in Indonesia is increase significantly. The development of the regulation about presentation of sharia financial statement also having an improvement. The regulation is based on PSAK NO 101 that manages about the preparation and presentation of sharia financial statement , but in fact, the regulation that used in operationalization of PT.BSM not yet adopted completely the islamic banking principle, like yad amanah concept, revenue sharing concept, and cost management concept. But in other side, Bank syariah mandiri has completely adopted the regulation about operationalization of islamic banking in Indonesia*

**Keyword:** *Islamic Banking, PSAK No.101, Revenue Sharing, Musharaka, Mudaraba*





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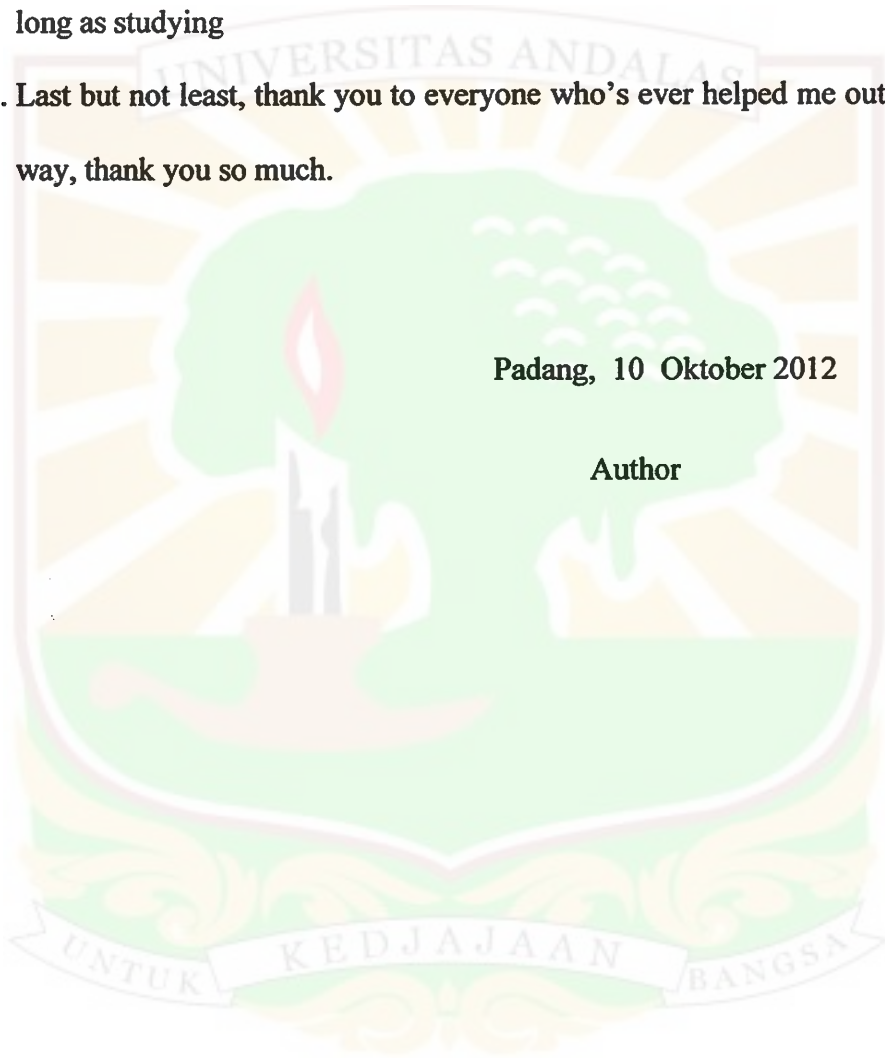
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## Chapter I

### INTRODUCTION

#### 1.1. Background

Indonesia has a large Muslim population, so that makes this country should become the world's largest market for Islamic banking. The amount of Muslim populations also makes a wide enough space for the development of Sharia banks in Indonesia. But in the early years of the presence of this concept of sharia banks, Raharjo (as cited in Adiwarmanto, 2007, p.13) explained that not all parties could accept it because some parties consider that the concept of Islamic banking will be based on the concept of the establishment of an Islamic state.

In addition, the concept of interest in conventional banks at that time considered to be more profitable. But over time, history proves that the banking system which had been practiced since the time of the prophet Muhammad SAW is more robust than the conventional banking system, the exchange rate crises that occurred in mid-1997 has made the national banking system experienced conditions very concern (Atorf, 1999, p.5). It is characterized by the amount of debt in foreign currency is soaring, the high non-performing loans, and declining bank capital. The condition was worsened by the sharp rise in interest rates in line with monetary policy to dampen volatility in exchange rates, so many banks are experiencing the negative spread. The condition is very severe banking that primarily as a result of the bank management is not careful. On the other hand there is



the view of experts that the application of the system of interest has exacerbated the decline of the national banking system. And Islamic banks that existed at the time did not require an injection of funds. Eventually lead to a lot of popping up new Islamic banks in Indonesia.

With more and more evidence suggests that the use of the system of interest at the conventional banks are no longer relevant, then we are faced with a condition in which there should be a new alternative that is more thought of advantage to both parties more equitably with the principles for operating results based on the principles Islam.

Indonesian Banking Act, the Act No. 7 of 1992 on banking as it has been modified by Act No. 10 of 1998 (hereinafter abbreviated for the sake of this article UUPI) identifies the bank based on its activities into two, namely banks doing business in the conventional and banks doing business based on Sharia principles. As mentioned in item 13 of Article 1 limits the meaning of UUPI give Sharia principles as rules of Islamic law based on agreement between the Bank and others for keeping the funds and / or financing business activities, or other specified activities in accordance with the Sharia, among other things, funding based on the principle of results (Mudharaba), based on the principles of financing capital participation (Musharaka), the principle of selling goods with profit (Murabaha).

Sharia Bank function largely has no different from conventional bank, namely as an intermediary institution that mobilize funds from

public and channel these funds back to communities in need in the form of financing facility. The main difference lies in the kind of profits derived from transactions the bank was doing. When conventional banks base their profits from interest rate decision, the Islamic Bank of what is called a reward, either in the form of services (fee-base income) as well as mark-ups or profit margins, and profit sharing (profit and loss sharing).

The rise of Islamic banking in the world was not without criticism (Suryo, 2003, p.175). It is precisely the criticism comes from scientists of Islam itself. They argue that Islamic banks conduct transactions in Islamic banking has done precisely contrary to the words and spirit of the provisions of Sharia. Implementation of business activities of Islamic banks has caused a problem of morality. So the question whether the organization of business activities of Islamic banks is that in fact intends to avoid voting interest and intention that the parties bear joint problems, it has been held in accordance with that purpose or in its execution was just a mere replacement of the term.

Based on the background of the above problems, the authors are interested in doing research with the title:

**"Revenue from Profit Sharing and Their Accounting Treatment in Islamic Bank (Case Study at PT Bank Syariah Mandiri Padang Branch Office)"**

## **1.2. Problem Definition**

Based on the background above, the proposed issue can be formulated as follows: *“Are the principles of Islamic banking operations is in accordance with Islamic principles and meet the provisions of SFAS No. 101 about preparation and presentation of sharia financial statement ?”*

## **1.3. Research scope**

The author limits the scope of the research in order not to broaden the issue, which is specialized on the revenue from profit sharing in Musharaka and Mudaraba financing on PT BSM and the accounting treatment in the period of 2010 and 2011 concerning in compliance with the revenue from profit sharing according to SFAS 101 and according to the Islamic point of view as the basic implementation of Sharia finance.

## **1.4. Research Objective**

- a. Find the suitability of revenue from profit sharing with the concepts set out in Islamic Sharia.
- b. Knowing the accounting treatment of revenue from profit sharing in Islamic banks under SFAS No. 101
- c. As the study of literature for the other side who will do more research.

## **1.5. Research Benefits**

Provide an overview of the revenue from profit sharing, both from the standpoint of SFAS, or according to Islamic principles.



## **CHAPTER II**

### **Literature review**

#### **2.1. Previous Research**

The previous research was written by Lestari Ramdhani (2007) in Bank Muamalat Indonesia, Malang branch office. This research discussed about operationalization of the Muamalat Banking that not fully apply regulation about sharia economics. Because this research done in Malang, and still have no information about Islamic Banking in Padang whether it has apply all regulation in Islamic banking or not. So, it is inspired author to build this title. And previous research helps the author to write the thesis

#### **2.2. ISLAMIC BANKING**

Banking according to Sudarsono (2004) is an institution that performs three main functions; to receive deposit, lend money, and money transfer services. In general, the meaning of Islamic banking is the financial institutions that provide credit and basic business services in the payment of traffic and circulation of money which operates tailored to the principles of Shari'a.

Kuncoro (2002) defines the Islamic bank is a bank that operates accordance with the principles - principles of Islamic Shari'a is referring to the provisions – provisions that exist in the Holy Qur'an and Sunna.

Siamat (2005) suggests that Islamic banking is essentially a banking system in an attempt based on the principles of Islamic Shari'a law or by

reference to the Qur'an and sunna, operate by following the provisions of Islamic Shari'a, especially in relation to governance in doing Muamala such a way to stay away from practices that contain elements of usury and perform investment activities on the basis of the results of financing.

### **2.2.1. Characteristics**

The characteristic of Islamic banking is as follows (Fajar, 2006, pp. 2-5):

- a. Characteristically productive, Islamic economic include all of economic activity that must be productive, so it is more emphasis on the real economy while the interest income that is not productive.
- b. No exploitative, economics activity should not be intended for the benefit of any other party (the same profit).
- c. Equitable, there should be no adverse economic transactions in the parties involved, either directly or indirectly.
- d. It is speculative, it is considered as gambling and those who do so can result in danger of poverty and the causes of money or goods are speculated to be of no benefit.
- e. Anti-usury, usury is the additional fact that is set within the agreement for an item is borrowed, when the goods are returned. So the owner of the goods hoping that he could take advantage of the lending transaction.

### **2.2.2. The principle**

Islamic banks adhere to the principles as follows (Zulkifli, 2009, p.15):

**a. The principle of justice.**

This principle is reflected in the application of rewards on the basis of the results and making a profit margin agreed between banks and customers.

**b. The principle of equality.**

Islamic bank puts customer funds deposit, bank customers and users of funds on an equal footing. This is reflected in the rights, obligations, risk and profit-making that is balanced between customer deposit funds, bank customers and users of funds.

**c. Principles of Peace.**

Islamic banking products are compliant with Islamic principles and rules of Muamala, among others, the absence of the element of usury and the application of charity property. So that, make the customers will feel physically and inner peace.

### **2.2.3. The product**

In Islamic Banking, Anifah (2009) said that the relationships between Bank and their customer are rather than the debtor relationships with the lender, but partner relationship (partnership) between financiers (Sahib al mal) with the entrepreneur (Mudarib).



Islamic Banking products fall into three categories based on intended use: 1) the fund distributed product (financing), 2) fund-raising products (funding), 3) product and services (services).

### **2.2.3.1. Fund Distributed Product (Financing).**

In the distribution to the customer, largely Islamic financing products are divided into three categories which are distinguished based on their intended used namely: 1) financing transactions are intended to have the goods on the principle of buying and selling. 2) The financing transaction is intended to obtain services based on the principle of the lease. 3).Transaction financing for cooperative efforts aimed at the same time in order to obtain goods and services, with revenue sharing principle.

#### **a) Principle of Sale and Purchase**

The principle of trading carried out in connection with the transfer of ownership of goods. The level of bank profits are determined before and become part of the price of goods sold. Sale and purchase transactions distinguished by the form of payment and time of delivery, Sudarsono (2005) defines that there are three kinds of the bargain which made by the basis of working capital financing and investment in Islamic banking, namely:

### 1. Murabaha.

Murabaha is a sale and purchase of goods at the original price with the added value that agreed between the bank and the customer. Here, the seller said the purchase price of the goods to the buyer, and then it requires a certain amount of net earnings. In Murabaha agreement, the bank financed purchase of items needed by its customers by buying goods from suppliers, and then sells it to customers at a price plus profit or mark-ups. In other words the seller of goods to customers on the basis cost plus profit.

### 2. Bai' Salam

According to Baraba (1999), Bai' Salam is a purchasing with an advance payment but the delivery of product will be sending later.

### 3. Istisnaa.

According to Scholars' Jurists ', Istisnaa is a special kind of Bai' Salam. Thus, the provision Istisnaa follow the rules and regulations akad Bai' Salam. Sudarsono (2005) describe that Istisnaa products like products Bai' Salam, but in istisnaa, payment can be made by the bank in several times (installments) payments.

Istisnaa as a contract to acquire goods on behalf of a third party where the price is paid to the manufacturer in

advance and the goods produced and delivered at a later date ( Lewis & algaoud, 2001, p.56).

#### **b) Principles of Leasing (Ijara)**

Ijara derived from al-ajru which means al-'iwadlu (replace). Antonio (2001) said that Ijara is an agreement on transfer of rights to goods and services, through a lease payment of wages, without being followed by the transfer of ownership on the goods themselves.

Ijara means lease contract and contract hire. Sudarsono (2005) as in the context of Islamic banking, explain that ijara is a lease contract, where a bank or financial institution rent equipment to one of its customers by charging fees for certain previously determined (fixed charge).

#### **c) Principle of Sharing (Profit sharing)**

Islamic bank financing products based on the principle of profit sharing consists of Musharaka and Mudaraba.

##### **1. Musharaka**

The general form of business for the results is Musharaka (shirkah or syarikah or union or joint venture). Musharaka transactions based on the wishes of the parties working together to enhance the value of assets they own together. Specifically, the contribution of the working party may include funds, goods trade (trading asset),



entrepreneurship, skills, property, equipment, intangible assets (such as patents or goodwill), credit worthiness and other items that can be valued by money.

## 2. Mudaraba

Mudaraba is a form of cooperation between two or more parties where the owners of capital (Shahib al mal) entrust the amount of capital to the entrepreneur (Mudharib) with a profit sharing agreement.

### 2.2.3.2. The Fund Raising Product (Funding).

Sources of Islamic banks mobilize funds can be obtained from the four sources, namely: equity, deposit, investment and special investment.

#### a) Al-wadia principle.

At this principle, it is quite the same with Qardh, where the client or a borrower is the bank, not the person who saved the money in the bank. Wadia can be divided into two; *wadi'a yad-amanah* and *wadia yad-dhamanah*.

The principle applied is *wadia yad-dhamanah*. It is applied to the checking account product. *Wadia yad-amanah* has a different mandate. In this mandate, in principle, should not be entrusted property utilized by the entrusted. Whereas in the case *wadia yad-dhamanah*, the party considered to be (bank) responsible for the integrity of

the property entrusted property so that they may utilize the deposit.

b) Mudharaba principle.

Pursuant to the authority granted the depositors, Mudharaba principle divided into three, namely:

*i. Mudharaba mutlaqa*

The application of mudharaba mutlaqa can be in form of saving and deposit until there is two types of funding arises, that is mudharaba savings and mudharaba deposit. Based on this principle, there is no more limitation for the bank in using the fund.

*ii. Mudharaba mugayada on balance sheet*

This type of mudharaba is a special saving that has restricted or called restricted investment where the funder can issue some condition that should be followed by Bank.

*iii. Mudharaba Mugayada off balance sheet*

This is a type of channeling funds directly to the performer Mudharaba business, where the bank acts as an intermediary between the owners of the funds that brought the business executive. Owner of the funds may provide certain requirements that must be complied with by the bank.

### 2.2.3.3.Services Product

- *Sharf* (sale and purchase of foreign currency) is the exchange / sale and purchase of currencies with different delivery immediate / spot prices based on the agreement in accordance with market prices at the time of the exchange.
- *Al-wakalah*. The customer authorize the bank to represent himself doing the work of certain services, such as transfer
- *Al-Kafalah*. The first party is willing to be the insurer of the activities carried out by the second party in accordance with the agreement during which the first party receives in return for a fee or commission (warranty).
- *Al-hiwalah* is the transfer of accounts payable transactions. It is commonly help the debtor to get cash money to continue their production activities. The Bank gets some fees from the services.
- *Ar-Rahn* (fiduciary) is to provide a repayment guarantee to the banks in providing financing.
- *Qard Hasan* (beneficence) used to help finance customers rapidly and in a short-term period.

In basic operationalization of islamic banking, Baraba (1999) said that the Islamic banking products in practice can be summarized as follows:



**Table 1: Islamic Banking Products**

<i>Name of Product or services:</i>	<i>Sharia' principles:</i>
Giro	Wadia yad-dhamanah
Saving	Wadia yad-dhamanah / mudaraba
Deposit / investment account	Mudaraba
Investment account is not free usage.	Mudaraba mugayada
Receivable of murabaha	Not cash Murabaha
Mudaraba investment	Mudaraba
Musharakah investment	Musharakah
Asset investment to be rented.	Ijara
Levying of goods to be sold or weared byself.	Salam or ishtisna'
Warranty Bank	Kafalah
Transfer, incaso, L/C, dll	Wakalah
Safe deposit box	Wadia amanah
Marketable securities	Mudaraba
Sales foreign currency. (non speculative motive)	sharf

Source: Ahmad Baraba, (1999).

### **2.3. Accounting in Islamic banking**

In a general sense, accounting can be defined as an information system that provides reports to stakeholders about the economic activities and condition of a business. (Warren, 2005, p.10).



In Islam, accounting should function not only as a service activity providing financial information to the users and to the public at large but more important accountants should discharge their accountability by providing information to enable society to follow God's commandments (Rahman, 2003, p.3).

According to AAOIFI's Statement of Financial Accounting No.1 (AAOIFI SFA 1), the need for accounting objectives for Islamic financial institutions stemmed from the role of accounting.

Using the Arabic term, it referred to as *Muhasaba* accounting. Generally, *Muhasaba* has two main terms, namely: *Muhasaba* with meaning *Musa'ala* (calculation) and *Munaqasya* (Debate). The process of *Musa'ala* can be completed individually or by the intermediary of others, or it could be the intermediary angels, or by the gods themselves on the Day of Judgement. *Muhasaba* with the meaning of accounting / financial records such as those applied in the early advent of Islam. Also be mean with a tally of principal and gains and losses. *Muhasaba* any means of data collection, bookkeeping, and also to convey the same *musa'ala* (calculation), debate, and determination of remuneration / replies as implemented in state institutions, agencies *Baitul Maal*, legislation endowments, *mudaraba*, and unions .

Allah SWT said:

*"We shall set up justice scales for the day of judgement, not a soul will be dealt unjustly in the least. And if there be (no more than) the weight of*

*mustard seed, we will bring it (to account); and enough are We to take account” (Al Qur’an Chapter 21, verse 47).*

*“O you who believe! When you deal with each other, in transactions involving future obligations in a fixed period of time, reduce them to writing” and “Let a scribe write down faithfully as between the parties” (Al Qur’an Chapter 2, verse 282).*

So, the objectives of accounting should be to ensure fair and just financial transactions between human being (Rahman, 2003, p.4).

*Sharia* Islamic accounting is essentially the use of accounting in running the Islamic *sharia*. Islamic Accounting defines as follows: "Postulate, standards, explanation and accounting principles that describe all the things that Islam has theoretical accounting concepts, principles and goals of Islam as well. All of this is simultaneously running with the economic, social, politics, ideology, ethics, life, justice and Islamic law. Accounting and other fields it is a package and cannot be separated from each other.

Basically, accounting in islamic banking doesn't have a big difference with the accounting in conventional banking. But in term of sharia banking, there is a basic concept preparing the financial report. In indonesia there is KDPPLK (*konsep dasar penyusunan dan penyajian laporan keuangan*) which presents concepts on which the preparation and presentation of financial statements of Islamic banks.

### **2.3.1. Indonesian *Sharia* accounting standard/PSAK (*pernyataan standar akuntansi keuangan*).**

Before, Indonesia used PSAK no. 59 to make an analysis and financial report about Islamic banking, after some revision, Indonesia has changed the PSAK no 59 into PSAK 101 until 106 that focus on islamic accounting standard that are implemented not only for the sharia bank but also for all sharia financial institution and conventional one (Rilla, 2008, p.28).

Based on PSAK no.101: that explain about preparation and presentation of sharia financial statement, said that the purposed of financial statement to give information about financial position, performance and the cash flows of the sharia entity. So that, to achieve the purposes, a financial report should present any information about the sharia entity as follows: (a).Asset, (b).Obligation, (c).Transient syirka fund, (d).Equity, (e).Revenue and expense, including gain and losses, (f).Cash flow, (g).Zakat funding, (h).Good funding. Each of these will help the user in predict the cash flow in the future.

Besides that, on SFAS no 101, in the Components of Financial Statements, the Complete financial statements consist of the following components: (a) Balance Sheet; (b) Statement of Income; (c) Statements of Cash Flows; (d) Statement of Changes in Equity;(e) Report of the *Zakat* Fund Sources and Uses;(f) Sources and Uses of Funds Report Virtue; and (g) Notes to Financial Statements.

If the sharia entity is a financial institution, so the entity should also provide any additional component of financial report that will explain the main characteristics of the entity that not stated on the complete financial statement above.

Another regulation that provide the analysis and financial report in Islamic term are SFAS no 102 about accounting of *Murabaha*, SFAS no 103 about accounting of *salam*, SFAS no 104 about accounting of *istisnaa'*, SFAS no 105 about accounting of *mudaraba*, and SFAS no 106 about accounting of *musharaka*. Where, each of the statement should be applied accordance to the standard established.

### **2.3.2. International Standard for Islamic Finance (AAOIFI)**

AAOIFI's SFA 2 recommends that "revenues should be recognized when realized". Realization of revenue shall take place when one of the three conditions is met: (1) The entity has the right to receive the revenue; (2) There is an obligation on the part of another party to remit; and (3) The amount of revenue should be known and collectible with reasonable degree of certainty.



## **2.4. Islamic Concept about Mudaraba and Musharaka**

### **2.4.1. Mudaraba and the Implementation**

#### **1. Definition of *Mudaraba***

Mudaraba which derived from the Arabic word is taken from dharab, a significant hit, move, go, require, take part, participating (Ali and Zuhdi.2003). In conjunction with the understanding above, it is more suitable if mudaraba is to take part and participate.

According to Sabiq (2006), Mudaraba is a contract between two parties where one party spent money (the capital) to the other party to be traded, and the profits divided in accordance with the agreement.

Antonio (2001) quoting al-Syarbasyi as follows: "Mudaraba is a business cooperation contract between two parties where the first (Shahib al-mal) provides the entire capital, while others become managers, and business profits are divided according to the agreement set forth in the contract, whereas if the loss is borne by owner of capital, losses is not due to negligence of the manager ".

Mudaraba is an agreement between at least two parties where one party, the owners of capital (shahib al-mal or rab al-mal), entrusts funds to another party, the employer (mudharib), to run an activity or business (Lewis & Algaoud, 2004, pp.40-41).

Consequently lenders obtain a certain part of the profits / losses which they have financed projects.

Adiwarman (2007) quoting M. Anwar Ibrahim that "Mudaraba is a partnership agreement between the property from one party to the work of other parties, where one party acts as the financier and entrust their capital to be managed by a second party, namely the implementation effort, with the aim of gaining profit".

Of the three definitions can be concluded that the Mudaraba is an agreement between two or more parties, the owners of capital (shahib al-mal) and business manager/entrepreneur (mudharib) in order to obtain benefits that are shared under the agreement as stated in the contract, which if the business run losses, the losses are borne by owners of capital, loss was not due to negligence of the manager's effort (profit and lost sharing).

## 2. Mudaraba Sharia basis

*"... and the people who walk the land, seeking of Allah's bounty ...."* (Al Quran Chapter 73, verse 20).

*"There is no sin for you to seek the gifts (sustenance in the trade) from your Lord ..."* (Al Quran chapter 2, verse 198).

روى ابن عباس رضي الله عنهما انه قال : كان سيدنا العباس بن عبد المطلب إذا دفع المال مضاربة اشترط على صاحبه أن لا يسلك به بحرا ولا ينزل به واديا

ولا يشتري به دابة ذات كبد رطبة فإن فعل ذلك ضمن فبلغ شرطه رسول الله صلى الله عليه وسلم فأجازه

*"It was narrated from Ibn Abbas that Sayyidina Abbas ibn Abd al-Muttalib when providing funds to its business partner's, mudaraba it requires that the funds are not carried across the sea, down the valley that are harmful, or buy livestock. If they violate these rules, the concerned is responsible for the fund. Then it is conveyed to the Prophet Muhammad and he allowed it.*

( Thabrani)

عن صالح صهيب عن أبيه قال : قال رسول الله صلى الله عليه وسلم ثلاث فيهن البركة البيع إلى أجل والمقارضة وخلط الأبر بالشعير للبيت لا للبيع

*"From Suhaib ibn Salih that the Prophet SAW said, "Three things in which there is blessing: a tough sale, muqaradhah (mudaraba), and mixed with wheat flour for domestic use, not for sale." (Ibn Majah).*

### 3. Types of Mudaraba

In general, Mudaraba divided into two kinds, namely: mudaraba muthlaqah and mudaraba mugayada. The following will put forward two kinds of division mudaraba above.

#### **a. *Mudaraba Muthlaqah***

What is mean by *mudaraba muthlaqah* is a form of cooperation between the financier (*shahib al-mal*) and employers (*mudharib*) whose scope is very broad and not limited by the specification of the type of effort, time and area businesses. In this *muthlaqa mudaraba*, *shahib al-mal* gives enormous power to *mudharib* in managing capital and business.

#### **b. *Mudaraba Mugayada***

*Mudaraba mugayada* or commonly referred to as restricted *mudaraba* / specified *mudaraba* is the opposite of *mudaraba muthlaqa*, where the business manager (*mudharib*) is limited by the type of effort, time, or place of business. Given these constraints often reflect the general trend of investors (*shahib al-mal*) in entering the type of business.

### **4. *Mudaraba principle***

#### **a. *yad- amanah***

*Mudaraba* concept has principles that the capital are managed by *mudharib* is *yad- amanah* which means, he does not have to be responsible when the capital is lost, diminished or destroyed unless it is caused by negligence.



## **b. Operating costs**

A mudharib in addition entitled to the benefit of capital under management; he is entitled to costs in managing the operation. However, the operating costs by the fuqaha given strict restrictions on what items can be financed by capital and any dependents of the manager.

The manager has the right to use venture capital to fund the various needs of the transaction. However, he did not have the right to earn a salary as compensation for the developing of such capital, including the salaries of employees who help him because he will get compensation from the profits of the business.

## **c. Profit sharing**

Ibn Qudama (as cited in Lestari, 2007, p.45) tells us that one should not take the slightest profit until he submitted a capital gain to its owner. If there are advantages and disadvantages of the benefit is deducted from the loss of both gains and losses that take place in the same time, or occurs in a transaction gains and losses occur in any other transaction or profit on a single journey on the way while others suffered losses. Because the meaning of its own profit is the excess

return on capital and have not added anything to say then do not called profit.

d. Mudaraba on mudaraba

Sayyid Sabiq (as cited in Lestari, 2007, p.46) says that one should not mudaraba on mudaraba property to another party. If this is done then the stretcher into the category it exceeded the limit. Lestari (2007) also quotes the opinion of Ibn Rushd al-Mujtahid in Bidayatu that there was no difference among the jurists that if a capital or Qiradh handed to the manager if he or she must bear a loss. But, if they have profits that are divided according to what is require in advance (to the owner's first capital), then the people who manage a share of the remaining property which he obtained from these advantages as they are required.

Thus, if the Islamic Bank as mudharib lend capital to the customer with the system if the customer loss, then such loss should not be charged to the owner's first capital. So it is entirely to be the responsibility of the bank. Similarly, the loss should not be charged to the customer if such losses are not caused by negligence

#### e. Implementation of Mudaraba in Islamic Banking

Mudaraba usually applied to financial products and fund raising product. On the fundraising side, mudaraba apply to:

- i) Savings deposits, savings are intended for specific purposes, such as savings pilgrimage, offering savings, and ordinary deposits;
- ii) Special deposits (special investment), where the customer deposited funds specifically for a particular business, such as ijara mudaraba.

*As for the financing side, mudaraba applied for:*

- a. Working capital financing, such as working capital financing and trade services;
- b. Specific investments, also called Mudaraba Mugayada, wherein the source of a special fund with a special delivery with the terms laid down by Shahib al-mal (the bank).

#### 2.4.2. Musharaka and the implementation

##### 1. Definition of *Musharaka*

Musharaka etymologically derived from the Arabic word derived from syaraka which mean, agreed. Meanwhile, according to the terms, Musharaka is an agreement of cooperation between

two or more parties to a particular business in which each party contributes funds (charity / expertise) with the agreement that the benefits and risks will be borne jointly in accordance with the agreement.

Musharaka is a form of partnership where two or more persons combine their working capital or to share the profits, enjoying the rights and equal responsibilities (Lewis & Algaoud, 2004, p.43).

## 2. Sharia basis for musharaka

*"... and the fact most of the people who organize it in part they do wrong to others, except those who believe and work deeds of righteousness" (Al) Quran chapter 38, verse 24).*

عن أبي هريرة رفعه قال إن الله يقول أنا ثالث الشريكين ما لم يخن أحدهما صاحبه

*"From Abu Hurairah, the Prophet SAW said, 'He says,' I am a third-party association of two people during one of which does not betray the other (Abu Dawud).*

Both verses and hadith shows that Islam recognizes the existence of the partnerships and allows it for allied parties remained firm agreement that has been made.



### 3. Types of *Musharaka*

Musharaka has two types, namely: ownership Musharaka and Musharaka contract. Musharaka ownership due to inheritance, will, and other conditions that result in ownership of asset by two or more persons. In this Musharaka, the ownership of two or more people shares in a real asset and also share the profits generated from these assets.

Musharaka contract created by an agreement in which two or more people agree that every one of them provide Musharaka capital and they agreed to share profits and losses.

Musharaka contract is divided into: al-'inan, al-mufawwadhah, al-a'mal, al-wujuh, and al-mudaraba. The scholars have a different opinion about al-mudaraba contracts, whether it includes into the type of Musharaka or not. Some scholars considered al-Musharaka mudaraba categorized as harmonious and fulfilling the terms of a contract Musharaka. As other scholars consider al-mudaraba not included as Musharaka.

***The following will explain the division of the Musharaka contract:***

- ✓ ***Shirkah al-'inan*** is a contract between two people or more, in which each party gives a portion of the overall fund and participates in the work, and both parties share in

the profits and losses as agreed in the contract. The portions of each party, either in funds or work or for the results, not necessarily the same and identical in accordance with their agreement.

- ✓ ***Shirkah al-mufawwadhah*** is the cooperation contract between two people or more, in which each party gives a portion of the overall fund and participate in the work, and all parties share profits and losses equally. In these shirkah, the conditions of the main types of funds that is provided in common, work, responsibility, and the debt burden is shared by each party.
- ✓ ***Shirkah al-a'mal*** or sometimes also called Musharaka abdan or Sana'i is a cooperation contract which design by two people that work together to receive and share the benefits of the job.
- ✓ ***Syirkah al-wujuh*** is a contract between two or more persons who have a good reputation and prestige as well as experts in business, where they buy goods on credit from a company and sell the goods in cash, and they share in the profits and losses under the guarantee to the supplier provided by each partner. This types of Shirkah doesn't need a capital because it does not require the purchase on credit, based on the guarantee, so this shirkah usually called Musharaka receivables.

#### **4. Implementation of *Musharaka* in Islamic banking**

Implementation of *Musharaka* in Islamic banking can be found on the financing such as:

##### **a. Project Financing**

*Musharaka* financing is usually applied to projects where customers and banks alike to provide funds to finance the project, and after the project was completed with the funds, customers return for an agreed outcome for the bank.

##### **b. Venture Capital**

On specific financial institutions, it is allowed to invest in corporate ownership *musharaka* that applied in the venture capital scheme. Investment is made for a certain period after which the bank decided to divest or sell the shares, both short term and gradual.

#### **2.5. Recognizing and measuring revenue-sharing**

In its application, the mechanism for the calculations can be performed with two different approaches, namely:

**- Profit sharing approach (for profit)**

Calculation according to this approach is a matter for the results based on the earnings of the fund manager, ie revenues minus cost of effort to gain revenue.

**- Revenue sharing approach (for income).**

Calculation according to this approach is based on profit and revenue earned from the fund manager, the business income before deducting business expenses to earn income.

The concept for this result is quite different from the concept of interest rate applied by the conventional economic system. In Islamic economics, the concept of revenue sharing can be described as follows:

1. Owner of the funds invests their funds through financial institutions that act as fund manager.
2. Managers manage these funds in the system known as the system pool of funds (fund raising), and then the manager will invest these funds into projects or businesses viable and profitable and fulfill all aspects of the sharia.
3. Both sides made an agreement (contract) that contains the scope of cooperation, the nominal amount of funds, ratio, and the validity period of the agreement.



### **2.5.1. Revenue recognition and measurement of Mudaraba financing**

IAI (as cited in Iestari, 2007, p.35) describes the recognition and measurement mudaraba as follows:

1. Mudaraba in cash are recognized at the time of payment of the amount of money given to the management of bank funds.
2. Mudaraba financing that given in the form of non cash assets valued at fair value of non cash assets. Difference between fair value and book value of non-cash gain or loss is recognized as the bank upon delivery to the fund manager.
3. Mudaraba financing is given gradually and recognized at every stage of payments.
4. Costs incurred due to mudaraba did not recognize as part of mudaraba unless mutually agreed.
5. Mudaraba repayment by mudharib will reduce the amount of mudaraba asset.
6. If some mudaraba lost prior to the commencement of work / project because of damage or other causes without any negligence or fault of the mudharib, then the loss is reduced mudaraba and losses are recognized by bank. If the loss occurred after the commencement of work, it did not affect the assessment mudaraba financing.
7. If the entire financing mudaraba lost and not caused by the negligence or fault of mudharib, then mudaraba terminated and losses are recognized as an expense on the bank.

8. If the contract is terminated before maturity of mudaraba and mudaraba balance not paid directly by mudharib, it is recognized as a receivable mudaraba maturity.
9. The Mudaraba elimination of financing allowance should be established in accordance with the applicable provisions of Bank Indonesia.
10. Recognition of gain / profit mudaraba recognized in the profit sharing rights in accordance with the agreed ratio.
11. Recognition mudaraba losses are recognized when losses are incurred and reducing the balance of mudaraba.
12. Loss arising from the negligence or fault of mudharib is recognized as a mudaraba receivable.

#### ***2.5.2. Revenue recognition and measurement of Musharaka financing***

IAI (as cited in Lestari, 2007, p.37) describes the recognition and measurement of Musharaka financing as follows:

##### **1. Recognition and initial measurement of Musharaka financing:**

- 1) Musharaka financing is recognized when the cash payment or delivery of non-cash assets to the Musharaka partners are happen.
- 2) Measurement of Musharaka financing is as follows:
  - a) Musharaka financing in the form of cash is valued at the amount paid and non-cash assets valued at fair value and if there is a difference between fair value and book value of

non cash assets, then the excess is recognized as a gain or loss on the bank at the time of submission.

- b) Costs incurred due Musharaka contract (for example, the cost of feasibility studies) cannot be recognized as part of Musharaka financing unless there is an agreement of all partners.

## 2. Measurement of the bank of Musharaka financing after contract:

- a.) Musharaka financing as part of the permanent bank is valued at historical cost (the amount paid or the fair value of noncash assets at the time of submission of Musharaka capital) after deducting the losses, if any.

- b.) Musharaka financing as part of the bank valued at historical cost declined after decreased by the financing bank that has been returned by the partner (ie at a reasonable price) and losses, if any. Difference between historical cost and fair value of the returned parts Musharaka financing is recognized as a gain or loss on the bank in the current period.

- c.) If the Musharaka contract which has not been terminated due to return all or part of the capital, the difference between the historical and the return value is recognized in profit or loss in the current period.

- d.) At the time the contract is terminated, Musharaka financing that has not been returned by the partners is recognized as a receivable due to the partners.

### **3. Recognition of gain or loss on Musharaka:**

**i). Musharaka financing recognized profit by the bank in accordance with the ratio agreed upon results of operations of Musharaka. Musharaka financing recognized the loss in proportion to capital contributions.**

**ii). If the permanent Musharaka financing through one of the reporting period, the profit is recognized in the period in accordance with an agreed profit sharing ratio and losses are recognized in the period of loss and reducing Musharaka financing.**

**iii). If the Musharaka financing declined over the reporting period and there is a return of a part or all of the financing, then the profit is recognized in the period in accordance with the agreed ratio and losses are recognized in the period in proportion to the contribution of capital and reducing Musharaka financing.**

**iv). At the time the contract is terminated, the return has not been received by the bank and Musharaka financing is still performing receivables are recognized as partners. For the non-performing Musharaka, financing is terminated then the profits that have not received by the bank is not recognized but disclosed in the notes to financial statements.**

**4. In the event of loss due to the negligence or the fault of musharaka on managing partner of venture Musharaka, then the loss is borne by the managing partner of venture Musharaka. Loss due to negligence**



**Musharaka partners shall be treated as a deduction managing partner of venture capital, unless the partner replaces the loss with new funds. Recognized but are disclosed in the notes to the financial statements.**



2. Describes whether the revenue sharing at PT BSM is in conformity with the Islamic concept.
3. Describing whether there is conformity between the accounting treatments of profit sharing on BSM with SFAS No. 101 on Accounting for Islamic Banking.



## **CHAPTER IV**

### **DISCUSSION AND ANALYSIS**

#### **4.1. Company profile**

##### **4.1.1. History of PT. Bank Syariah Mandiri**

Company values in utmost appreciation to humanity and integrity have been deeply rooted within everyone at Bank Syariah Mandiri (BSM) since its early establishment. Established since 1999, BSM has in fact appeared as blessings and morale learnt from the 1997-1998 economic and monetary crises. As is known, the economic and monetary crisis, followed by multi-dimension crisis including in the national politics, has massively affected all aspects of public life, not an exception to business matters. Under such a condition, the conventional banks dominated banking industry suffered from the worst crisis. The government finally took action by restructuring and recapitalizing the banks in Indonesia.

One of the conventional banks, PT Bank Susila Bakti (BSB) owned jointly by Employee Welfare Foundation (YKP) of PT Bank Dagang Negara and PT Mahkota Prestasi also suffered from the crisis. BSB sought to survive the crisis by merger with other banks and inviting foreign investors.

At the same time, the government merged four banks (Bank Dagang Negara, Bank Bumi Daya, Bank Exim, and Bapindo) to become a new bank under the name PT Bank Mandiri (Persero) on July 31, 1999. The merger policy also positioned and declared PT Bank Mandiri (Persero) as the new majority owner of BSB.

Further to the merger, Bank Mandiri embarked on consolidation and commissioned Sharia Banking Development Team. The team aims to develop sharia banking business services within the Bank Mandiri business group as a response to the law enforcement of UU No. 10 Year of 1998 that allows commercial banks for running sharia transaction services (dual banking system).

The Sharia Banking Development Team concluded that the law enforcement serves the right time for converting PT Bank Susila Bakti from conventional to sharia banking. Accordingly, the Sharia Banking Development Team prepared the system and infrastructure to change conventional banking activities of BSB to a bank running on the basis of sharia principles under the name PT Bank Syariah Mandiri just as legalized with the Notarial Act of Sutjipto, SH, No. 23 dated September 8, 1999.

The change in BSB business type into sharia commercial bank has been approved by the Bank Indonesia Governor through Decree No. 1/24/ KEP.GBI/1999, October 25, 1999. Through the Decree of Senior Deputy Governor of Bank Indonesia No.



1/1/KEP.DGS/ 1999, the central bank approved the bank renaming into PT Bank Syariah Mandiri. Following the approval and legal registration, PT Bank Syariah Mandiri has officially been in operation since 25 Rajab 1420 H or November 1, 1999.

#### **4.1.2. Vision and Mission**

**Vision:**

To be the most trusted and preferred sharia bank for business partners.

**Mision:**

- To generate sustainable growth and profits
- To put priority on consumer funding and micro, small and medium financing
- To hire and develop professional employees in a healthy work environment
- To develop sharia universal values
- To run banking operations according to sound banking practices.

#### **4.1.3. Products and services at PT.BSM**

Products and services of a Bank Syariah Mandiri in Indonesia refer to the principles of the government regulation number 72 in 1992, namely:

## 1. Funding: Wadia and Mudaraba

### a. Wadia

With wadia scheme, customers entrust their funds to Islamic banks. Allow customer funds used by Islamic banks for various purposes (*Sharia compliance*). But if customers want to withdraw funds, Islamic Banks are obliged to provide these funds. Wadia schemes generally used in products and some types of savings accounts. BSM uses this scheme for the Giro BSM, BSM Savings and sympathetic.

### b. Mudaraba (investment).

With mudaraba, customers invest funds to the Islamic bank to be managed. In this scheme, BSM serves as investment manager for customer funds. Customers trust fund management for profitable business (and according to sharia). The results of the business profits generated will be shared between the customer funds in accordance with BSM ratio was agreed in advance. BSM uses this scheme to BSM Deposits, BSM saving, BSM Savings Plan, BSM Savings Mabruur, BSM Scholar, Investa Savings, and Savings Sacrifice.

## 2. Financing: Murabaha, Ijara, istisnaa', mudaraba, musharaka.

### i. Murabaha

A sale and purchase agreement between the customers and Islamic bank. Islamic banks will need customers to buy goods and then sell the goods to the customer with an agreed margin. The sale price (principal + margin financing) will be repaid every month for a period agreed between the customer and Islamic banks. Since the price has been agreed in advance, then the customer is fixed installments over the term of financing. Almost all consumer financing BSM (BSM Griya, BSM Oto) using this scheme.

This scheme is also widely used in the BSM working capital. About 70% of Islamic banks financing used the scheme.

### ii. Ijara

A lease agreement between customers with the Islamic bank. Islamic banks finance the benefits of a service or item for later leased to customers. Generally, clients pay rent to the Islamic bank each month with the amount agreed upon in advance. BSM apply this scheme on Eduka Financing (financing for college) and BSM Financing Umrah. Some investment funds are also used ijara scheme, particularly the ijara scheme muntahiya bit Tamlik (IMBT).

### iii. Istisnaa'

A sale and purchase agreement between the customer and Islamic banks, but the goods are about to buy a work in progress. Islamic banks finance the manufacture of the goods and obtain payment from customers for the financing of goods plus the profit margin. Repayment of principal and margin to the Islamic banks are not all at once at the end of the period, but paid in accordance with the agreement. Islamic banks generally take advantage of this scheme for construction financing.

### iv. Mudaraba

A contract-based revenue sharing, which Islamic banks bear the full needs of venture capital /investment.

### v. Musaraka

A contract-based revenue sharing, which Islamic banks are not fully cover the capital needs of the business / investment (usually about 70 to 80%).

## 3. Services: Wakalah, rahn, kafalah, Sharf

### I. Wakalah

Wakalah means a trust / representative. This means that BSM works to represent clients in doing a thing. BSM apply this scheme to a variety of services such as money transfers,



Letter of Credit, and SKBDN (*surat kredit berdokumen dalam negeri*).

## II. Rahn

Rahn has meaningful pledge. This means that Islamic banks to lend money (qardh) to customers with the assurance that are deposited into the customers of Islamic banks. Islamic banks are charging a fee to cover care insurance costs and profits of Islamic banks.

BSM applies this scheme to the Gold Pawn iB.

## III. Kafalah

With kafalah scheme, customers of Islamic Banks will feel saved. If anything happens to the customer, Islamic banks will take the responsibility to a 3rd party as agreed earlier.

BSM apply this scheme to the BSM Bank Guarantee products.

## IV. Sharf

A money exchange service. BSM apply this scheme to Rupiah exchange services with other currencies, such as the U.S. \$, Malaysian Ringgit, Japanese yen and so on.

## **4.2. Result and Discussion**

### **4.2.1. Revenue from profit sharing at PT. BSM Padang Branch Office.**

#### ***A. Revenue recognition***

PT.BSM recognizes the revenue on a cash basis. Cash basis of a transaction is recognized as revenue when the cash or cash equivalents received (not at the time of the transaction). Income distribution method used by PT.BSM to distribute earnings to owners of customer funds (Shohibul maal) is a revenue sharing method.

Revenue Sharing method is a method or system for the calculation in which the Bank and the customer makes the distribution of income (revenue) on the basis of total income received without (before) minus the total costs incurred to earn income.

The definition of total income in this method is the primary investment income includes earned income from margin trading, profit-sharing income from financing, qardh hasan income, and other major investments that are derived from the placement of the Securities, Placements with Other Banks and Certificates of Bank Indonesia Wadia (SWBI).

Revenue Sharing Financing is revenue earned from investment transactions / financing Musharaka and Mudaraba (mutlaqah).

Income components found on the income statement of PT.BSM are based on PSAK no 101 on catering syariah financial report consists of balance sheets, income statement, cash flow reports, equity changes reports, changes in bound investment funds report, and revenue reconciliation report for the results, resources and the use of charity funds report, the source and use of charitable funds report, and note the financial report.

#### ***B .Implementation of the Income Distribution of Profit Sharing***

Distribution of shared revenues to the respective owners of the funds (Shohibul maal) is done every month. For each customer or account holder of wadia deposits, savings deposits and time deposits mudaraba, both in rupiah and foreign currencies. For foreign currency, accounts of income distribution that has been distributed are expressed in dollars.

In the distribution of shared revenue at PT.BSM, calculated result for the magnitude ratio determined by the Board of Directors.

#### **4.2.2. Islamic point of views on the implementation of Mudaraba and Musharaka at PT.BSM Padang Branch Office.**

The income from revenue sharing at PT.BSM arise from the financing of the mudaraba and musharaka. To know whether the operationalization of the PT.BSM is accordance to islamic concept or not, it is important to match it and valued it based on the islamic law.

#### **a. Yad Amanah Principle**

In any loan application in mudaraba funds, the bank requires that the assets pledged as security (collateral) by mudharib to further convince the bank of the mudharib honesty. If the mudharib fail recoup the amount owed in accordance with the agreed time and then the guarantee will be auctioned. If the collateral value is greater than the value of the debt, then the difference will be refunded to the customer.

BSM as Mudharib for customers saving funds, as well as shahibul maal for those who need funds, taking some asset as collateral from the mudharib to ensure the honesty of the mudharib because the customers trust and invest funds in Islamic banks on the basis motif of security. So they just leave these funds with the expectation that it will increased if managed by the bank as a mudarib. Therefore, the bank as mudharib will seek to improve and maintain the stability of the value of the money that would be distributed to the depositors.

Based on the explanation above, the authors concluded that this practice that taking a collateral by the bank because the mudarib cannot refund the mudaraba investment, it has violated the principle that has been stated previously that mudarib position as the party that will not bear the losses that not caused by their negligence.

Transactions relating to that collateral are categorized as imperfect (defective). In order for the transaction to not categorized as imperfect transactions, the transaction should be canceled or the defective conditions which must provide collateral if customers lose should be dispensed.

#### **b. Operating costs**

There were no differences among the jurists about the right of mudharib from the advantage of fund activity and operational costs. But they give some restriction only for mudaraba operation. The funds only used for transaction purpose, and the bank as a shahibul maal should responsible with all of costs of mudara transaction.

In case of mudaraba at PT BSM, the manager is required to pay installments of the capital borrowed by agreement in the contract at regular intervals (each end of the reporting month) regardless of the size of the installments. Installment consists of principal plus with the results obtained in accordance with the ratio stipulated in the contract. Yet as has been outlined by the jurists that the granting of benefits is done only when the capital was returned to shareholders so it's unclear whether the process mudaraba profitable or not.

Revenue generated from this mudaraba, in the view of Islam, has been recognized at the time of depositing the entire mudharib borrowed capital. If there is excess of capital that has been mudaraba earlier, the income is recognized when the earnings are already visible



and calculated in accordance with the agreed ratio, so there must be assurance that the receipt of such income. There is also an opinion stating that the revenue is recognized when the income was realized in the form of cash handed over. The value of the income is measured by the amount that will be or have been received after the bank calculated in proportion to the results that have been specified in the contract.

Implementation of profit sharing at PT BSM, as pointed out above, it is not in accordance with the division of profits that have been required in Islam. It can be seen in the difference between revenue recognition and acceptance of results by shahibul maal. Bank receives income for these results together with the installments of principal installments, and at the same time recognize that income has been realized, while Islam requires the division of profits be made when the capital was left entirely to shahibul maal.

### c. Profit sharing at PT BSM

PT. Bank Syariah Mandiri use the method of revenue sharing in the calculations to be received from mudharib. If using the method of revenue sharing, the bank gained the share of the total income received by mudharib in the period before deducting with the costs associated with managing the funds in mudaraba. By using the method of revenue sharing, it is illustrated that the mudharib bear the operational costs deducted from revenue from profit sharing that will be part of mudharib after divided with shahibul maal, so it will

minimize the amount of revenue that should be accepted. Thus, even though the shahibul maal has received a share of the results, and recognize the revenue but the mudharib still have a chance to get a loss, if the operating expenses greater than income. This indicates that the mudharib are fully bear the operational costs.

Above explanation and exposure deliver the authors to the conclusion that the use of methods of revenue sharing in calculation the revenue has violated the principle of revenue sharing in Islam. It is based on the statements of the jurists that mudharib entitled to charge the costs related to business operations in mudaraba funds, so shahibul maal should also bear the operational costs.

#### d. Mudaraba on mudaraba

PT. BSM when channeling of funds to the party as mudaraba financing, which it is true that the banks have mudaraba on mudaraba the property. It can be seen from the contract concluded between the bank that holds the funds and the contract agreed between the parties requiring bank funding. Defined by the contract grower are mudaraba funds, which the investor acts as shahibul maal funds and the bank acts as mudharib. As specified in the contract that requires the fund is also mudaraba. In this case the bank acts as shahibul maal and those who require funds to act as mudharib. As to the financing provided to those who need the funds are funds derived from the venture fund. Thus, such

practice was included in the category of property mudaraba on mudaraba practice.

Thus, if the manager gets loss then such loss should not be borne by the owner of the first capital (customer or investor). Thus, the loss is entirely the responsibility of the bank. Similarly, the loss should not be charged to the manager if the loss is not caused by negligence.

The attitude of BSM PT that does mudaraba on mudaraba is included in the category exceeds the limit and if it did it then the consequences of any loss of property management should not be delegated to the owners of capital as stated by Ibn Rushd in the previous discussion. In practice, PT BSM does not charge mudaraba loss of property management experience to its customers, but the steps are mudaraba on mudaraba at PT BSM property remains in the category that does not exceed the limits in accordance with Islamic sharia.

Implementation of the points that the authors have not found above in accordance with Islamic law, cannot be separated from the influence of the capitalist system applied in Indonesia. Associated with the concept of trust in yadul amanah, the capitalist system is indirectly forcing someone not to trust other people. In capitalism, the success of the material viewed. Benchmarks to see someone else based on the material. So someone is willing to work together because the material is also based. Likewise, the banking system in this case the bank would provide mudaraba financing because banks have been predicting the

amount of profit to be obtained, so that the bank will automatically get a collateral when mudharib loss. This suggests that the standard used by banks to provide mudaraba financing is not a belief system based on the material as it has been required in Islam.

In terms of profit sharing, Bank Syariah Mandiri receiving shared revenues per month in installments. The method used to obtain this advantage to use revenue sharing in which the bank does not bear the cost of managing mudaraba. Bank Syariah Mandiri runs it because the Bank is required to provide the results to saving customers money every month. As known, the majority of customers saving the funds motif in Islamic banks not only because Islamic banks are implementing the Islamic Sharia, but they just want to make a profit and do not want to bear the loss. It is also an outcome of the capitalist system that made orientation only by seeking the maximum profit with the smallest risk.

The current Islamic banking cannot we say ideal because most of its operations, especially in financing the Musharaka and mudaraba still affected by capitalist rules. Islamic banking can be said to be ideal if it is in an Islamic economic system. Islamic economic system will be realized by economic political Islam adopted by the Islamic government.

### **4.2.3. Accounting treatment for revenue sharing**

#### **4.2.3.1. Definition of revenue sharing**

Sharing is a form of return of investment contracts, based on the characteristics of a particular period is not fixed and is not sure the size of the acquisition. Because of the acquisition it depends on the results of operations that have occurred.

The concept of sharing, in the face of uncertainty is one of the very basic principle of Islamic economics, which is considered to support the aspect of justice. Antonio (2001) defines that Justice is a fundamental aspect of Islam in the economy. Determination of the results of operations in front of a business activity is considered as something that could incriminate one of the parties seeking, thus violating the aspect of justice.

*Revenue Sharing concept applies as follows:*

- a. Owner of the funds (mudharib) invests or save their money through a bank that acts as a fund manager (Shohibul maal).
- b. Bank as fund manager will then invest those funds into the project or the business viable and profitable and fulfilling aspects of sharia.



- c. The two sides signed an agreement that contains, among others, the scope of cooperation, nominal, ratio and or the validity period of the agreement.

#### **4.2.3.2. Recognition of revenue sharing**

In the Revenue Sharing method, some accounts generate revenue that can be shared, the Investment Income Account / Key Operating and Investment Income Account /other Major Operations. Appropriate basic assumption in Islamic Banking in Indonesia used KDPPLK (*kerangka dasar penyusunan dan penyajian laporan keuangan*) for the purpose of financial statements prepared on the accrual basis, while the calculation of income for purposes of the results using the cash basis. Therefore, the revenues are recognized in accrual basis and recorded to the income account, but for purposes of calculating the distribution of shared revenues, the revenue that has been distributed is fixed only income that has received any cash or cash equivalents (based on cash basis).

- a. Mudaraba (Mutlaqah) revenue sharing.

Mudaraba operating revenue recognized in the period of the rights to the corresponding ratio agreed to, and not allowed to recognize revenue from the projected results of operations. Losses due to negligence or error in the charge on the fund manager and fund manager do not reduce the mudaraba investment.

PT.BSM calculated the revenue sharing based on the income that come from the gross profit margin. The amount of margin revenue and the revenue sharing on the financing given and from others productive assets to the costumers and bank, calculated proporsionally based on the money that has been invested and the Bank that will be used in the financing that will be given to the costumers.

Then, the amount of margin revenue and revenue sharing available for the customers are distributed to the customer who save the money at the bank, the shahibul maal, and the bank as a mudharib based on the portion that has been agreed before.

Margin revenue and revenue sharing as a financing that are given and other productive asset that used money from the bank, all of that will be owned by Bank.

**b. Musharaka revenue sharing.**

Musharaka revenues at PT. BSM that belong to active partners recognized for their rights in accordance with an agreement on Musharaka business income. While revenues for the passive partner is recognized as a silent partner on the right side and the liability for the results.

#### 4.2.3.4. Accounting Treatment

Based on the distribution method of revenue sharing, the accountant stated that the following accounts can apply the revenue sharing method. They are:

1. Investment income account/main operations:

- a. Murabaha income account.
- b. Salam account.
- c. Istishna account.
- d. Musyaraka revenue sharing account.
- e. Mudaraba revenue sharing account.
- f. Hawala account
- g. Qardh account
- h. Ijaraa account.

2. Investment income account/the others operation:

- a. Obligation account
- b. Placement to the others Bank
- c. Wadia Certificate of Bank Indonesia (SWBI) account.

For the calculation purpose, the distribution of revenue sharing account can be acquired or credited based on cash basis system.



The amount of days used in the distribution of revenue sharing is based on the actual day used.

In defining the distribution of revenue sharing that will be shared to the third party or costumers can be doing as follows:

1. *First Step*: calculated the total income that will be distributed as a revenue sharing.

In calculating the total income that will be distributed as a revenue sharing to the costumers and Bank, the things that should be know or calculated first is the total margin revenue and revenue sharing from the main investment, the total average account of the third party, and the total average account of financing. If the others investment is also distributed as a revenue sharing, so it should be known or calculate the total of the others investment, total average of others investment account, and the portion of revenue sharing from the others investment.

2. *Second Step*: calculated the total revenue sharing of the third party.

In order to distribute the revenue sharing proporsionally as a part of costumers and Bank, and also for each costumer as the owners of the fund (shahibul mal), so it should be known or calculated these data first:

- a. The total of ending balance of the third party in a specified month.
- b. The total average balance of the third party in a specified month.
- c. The Total distribution of income that will be used as revenue sharing based on ratio that already stated by the bank or board of director.

3. *Third Step* : calculated the amount of revenue sharing that received for each costumers.

Each costumer should receive these data in order to calculate the revenue sharing:

- a. Amount of costumers saving per types saving at specified month.
- b. The Total average of the daily balance per types of costumers saving at specified month.
- c. The Total revenue sharing that will be distributed to the costumers per types of costumers saving at a specified month.
- d. The ratio of bonusses of revenue sharing from types of costumers saving and the value per specified month.



### **Illustration I:**

The way to calculate the distribution of revenue sharing where the third parties fund is distributed totally in financing.

#### **1. Known:**

The Data to calculate the distribution of revenue sharing at January 2003 as follows:

- a. The average balance of the third party:  
**Rp 1.114.483.140.977**
- b. Average balance of financing **Rp 1.121.643.708.507**
- c. The revenue margin and revenue sharing from financing and leasing **Rp 17.858.265.998**
- d. The sequence of priority of the distribution the third parties fund after financing at the placement that give the best return for the costumers is at the obligation, placement to the aothers Bank, and certificate of wadia of Bank indonesia.

#### **2. Requirement:**

How much the total revenue sharing that will be distributed as a revenue sharing for the third party (costumers) and Bank.

#### **3. Solution:**

a. From the data above we know that the average balance of the third parties fund is smaller than the average financing balance as we can see as follows:

**Table 2: The Distribution of the Third Parties Fund (DPK)**

Description	The third parties fund (DPK) (Rp)	Distribution (Rp)	Total revenue from financing and leasing (Rp)	Revenue from financing and leasing that has been distributed (Rp)
a.DPK (Giro,Saving dan Deposito)	1.114.483.140.977			
b.Distribution				
-Financing		1.121.643.708.507		
c.Total	1.114.483.140.977	1.121.643.708.507	17.858.265.998	17.744.258.922

Source: PT.BSM (2004)

b. Because all of the third parties fund has been distributed in financing, so the revenue that can be distributed as a revenue sharing calculated by using following formula:

**Table 3: FORMULA**

<p>Margin revenue and revenue sharing :</p> $\frac{\text{Average balance of DPK}}{\text{Average balance of financing}} \times \text{margin revenue \& revenue sharing from financing and lease}$
--

Source: PT.BSM 2004

= Rp 1.114.483.140.977

----- x Rp 17.858.265.998

Rp 1.121.643.708.507

= Rp 17.744.258.922

On this illustration, not all of the revenue can be as much as Rp 17.858.265.998 that will be distributed as revenue sharing to the costumers and Bank, but it should be proporsional based on the third parties fund that has been gathered as much as Rp 17.744.258.992,-

c. So, the total margin revenue and revenue sharing that distributed to the third parties and Bank on january 2004 is Rp 17.744.258.922,-

**Illustration II:**

The way to calculate the distribution of revenue sharing that received by mudaraba saving costumers :

1. Known:

- a. Costumers B has average balance of saving at february 2004 as much as **Rp 100.000.000,-**
- b. The total average balance for all BSM saving at february 2004 **Rp 881.110.444.073**
- c. The total income from distribution of revenue sharing for all BSM saving **Rp 9.190.383.240**
- d. The ratio of revenue sharing for BSM saving is **55,59%**

e. The time limits of average balance of the costumers is 1 month (1 february-1 march 2004)

2. Required:

How much the revenue sharing of BSM saving that should be paid to costumers B at 1 march 2004?

3. Solution:

By using formula V, the amount of revenue sharing for BSM saving that should be paid to costumers B before tax is as follows:

**Table 4: FORMULA V**

<b>Revenue sharing for costumers in one month:</b>	
<b>Nominal</b>	
<b>Saving</b>	<b>Total revenue sharing for all saving</b>
= ----- x (same types ) x ratio x (amount of day/day used in one month)	
<b>Average balance for</b>	
<b>all saving (the same saving)</b>	

Source: PT. BSM 2004

$$\begin{aligned}
 & \text{Rp } 100.000.000 \qquad \qquad \qquad 29 \text{ day} \\
 = & \text{-----} \times \text{Rp } 9.190.383.240 \times 55,59 \% \times \text{-----} \\
 & \text{Rp } 881.110.444.073 \qquad \qquad \qquad 29 \text{ day}
 \end{aligned}$$

**= Rp. 579.829,-**

So, the total revenue sharing received by costumers B at 1 march 2004 from mudaraba saving account is Rp.579.829,- .

#### **4.2.3.5. Presentation**

Presentation of financial statements at Bank Syariah Mandiri adjusted with SFAS No. 101 on the Islamic financial statement presentation. In addition, the financial statements prepared by taking into account the following matters:

1. The financial statements are presented based on historical cost and accrual concept with a few exceptions. The exception is:
  - a. Certain effects that stated at fair value.
  - b. The assets acquired in connection with the completion of the financing are carried at net realizable value.
  - c. Certain land and buildings were revalued and the calculation of income for the purpose of the division of the business using the cash basis is recorded according to the assessment and calculation of the mean.
2. Cash flow report prepared by presenting cash receipts and disbursements cash equivalents classified into operating, investing and financing activities. For the presentation of cash flow statement, cash and cash equivalents are composed of



cash, demand deposits in bank accounts in Indonesia and other banks that are not pledged as collateral or restricted. Cash in question is big cash, petty cash, cash deposits and cash ATM.

3. Balance sheet, income statement, cash flow statement and statement of changes in equity is a financial statement which reflects the bank's commercial activities

4. Statement of changes in investment funds tied to the financial statements that reflect changes in the investments managed by the bank is bound to the utilization of other parties based mudaraba or investment dealer.

5. Revenue reconciliation report and the results of reconciliation between the incomes banks using the accrual basis of revenue shared with the owners make money using the cash basis.

6. Charity and zakat fund reports.

1). Report the source and use of charity and zakat fund

financial statements reflecting the bank's role as a fiduciary fund social activities that are managed separately.

2). Reports the sources and uses of zakat is a report that shows the source of funds, the use of a period of time and zakat funds are not distributed on a certain date.

3). Reports the sources and uses of funds during a specified period of virtue and zakat fund balance at a specific date.

Bank does not directly perform the function of the management of zakat funds, and funds shadaqah infaq and virtue.

7. Transactions with related parties that have a special relationship.

In business, the bank engaged in transactions with parties who have a special relationship, as defined in SFAS No.7 on the disclosure of the parties that have a special relationship. All transactions are disclosed in the notes to the financial statements of each account. Transactions with state-owned banks / enterprises are disclosed as transactions with parties who have a special relationship.

8. Financing: mudaraba and musharaka

- a. Mudaraba

Mudaraba financing at PT.BSM stated on the balance of the financing for the allowance is reduced by losses. Bank provides allowance for losses in accordance with the quality of the financing based on a review of each financing balance.

If the missing part mudaraba before commencement of business because of damage or other causes without any negligence or fault of the manager of the funds then it is reducing the balance of mudaraba and losses are recognized as a bank. If some mudaraba lost after the commencement of

business without any omissions or errors then a fund manager at the time of loss is taken into account for the results.

**b.Musharaka**

Musharaka financing are stated at net financing balance with the balance of allowances for losses. Bank provides allowance for losses in accordance with the quality of the financing based on a review of each financing balance.

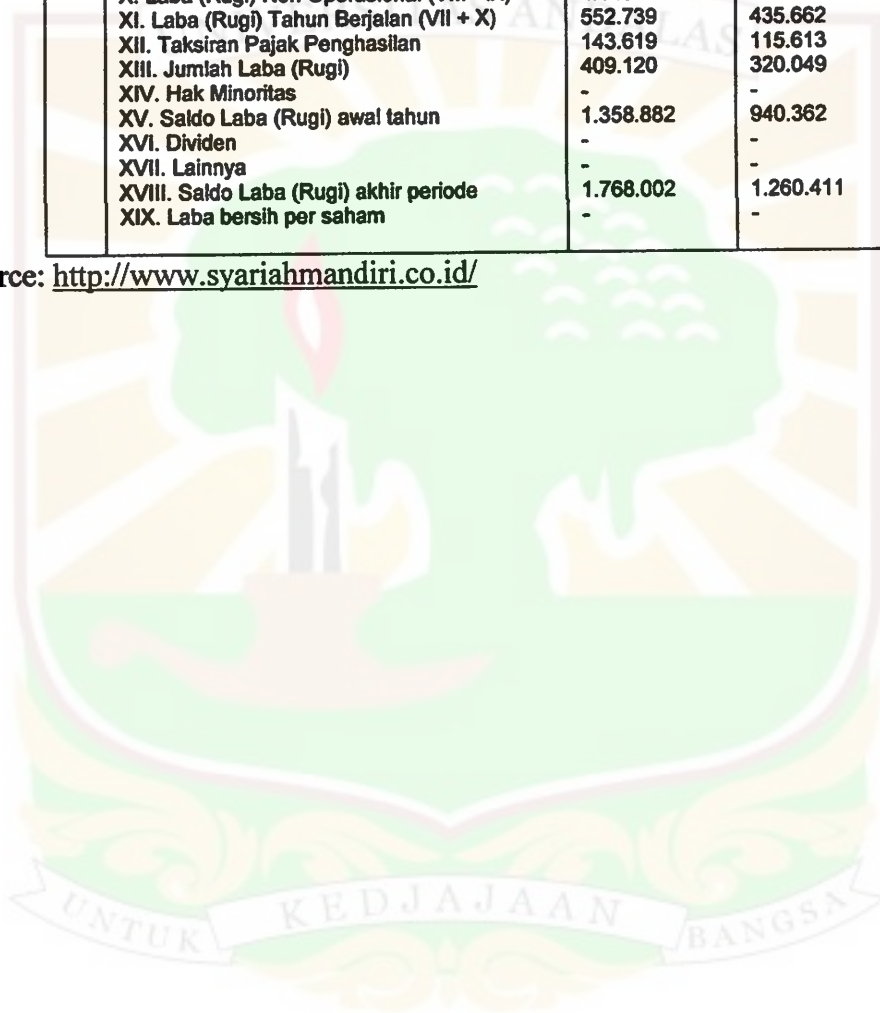
Financial report of PT Bank Syariah mandiri published monthly, quarterly and every year. In this discussion, the author presented the example of financial report specifically in reported quarterly profit and loss account up to the period 1 January 2011 and September 2010. This is because the author wants to take the presentation of the latest report for the previous comparable period given, because the most recent annual report for the period not served by PT BSM.

**Table 5:****The income / loss and retained earnings****Periods 1 January until 30 September 2011 and 2010****In millions of rupiah**

no	Pos-pos	2011	2010
1.	<b>PENDAPATAN DAN BEBAN OPERASIONAL</b>	<b>3.434.402</b>	<b>2.379.624</b>
	<b>I. PENDAPATAN OPERASIONAL</b>	<b>2.813.969</b>	<b>2.023.759</b>
	<b>A. Pendapatan dari Penyaluran Dana</b>	<b>2.813.969</b>	<b>2.023.759</b>
	1. Dari Pihak Ketiga Bukan bank		
	a. Pendapatan Margin Murabaha	1.513.362	925.010
	b. Pendapatan Bersih Salam Pararel	-	-
	c. Pendapatan Bersih Istisnaa' Pararel		
	i. Pendapatan Istisnaa'	5.304	7.382
	ii. Harga Pokok Istisnaa' -/-	-	-
	d. Pendapatan Sewa Ijara	126.525	77.571
	e. Pendapatan Bagi Hasil Mudaraba	472.884	398.515
	f. Pendapatan Bagi Hasil Musharakah	410.509	313.693
	g. Pendapatan dari penyertaan	-	-
	h. Lainnya	172.427	189.550
	2. Dari Bank Indonesia		
	a. Pendapatan SBIS	53.471	68.202
	b. Lainnya	55.722	34.859
	3. Dari Bank-bank lain di Indonesia		
	a. Bonus dari Bank Syariah lain	88	90
	b. Pendapatan Bagi Hasil Mudaraba		
	i. Tabungan Mudaraba	-	-
	ii. Deposito Mudaraba	3.041	7.071
	iii. Serti_kat Investasi Mudaraba Antarbank	656	1.816
	iv. Lainnya	-	-
	c. Lainnya	-	-
	B. Pendapatan Operasional Lainnya	620.433	355.865
	1. Jasa Investasi Terikat (Mudaraba Muqayadah)	11.171	10.154
	2. Jasa layanan	321.631	107.957
	3. Pendapatan dari transaksi valuta asing	9.198	9.558
	4. Koreksi PPAP	-	-
	5. Koreksi Penyisihan Penghapusan Transaksi Rekening Administratif	-	-
	6. Lainnya	278.433	228.196
	ii. Bagi Hasil Untuk Investor Dana Investasi Tidak Terikat -/-	1.278.849	843.613
	1. Pihak ketiga bukan bank		
	a. Tabungan Mudaraba	263.788	204.045
	b. Deposito Mudaraba	959.858	597.914
	c. Lainnya	30.303	23.964
	2. Bank Indonesia		
	a. FPJP Syariah	-	-
	b. Lainnya	-	-
	3. Bank-bank lain di Indonesia dan diluar Indonesia		
	a. Tabungan Mudaraba	2.674	2.287
	b. Deposito Mudaraba	20.705	15.175
	c. Serti_kat Investasi Mudaraba Antarbank	1.521	228
	d. Lainnya	-	-
	III. Pendapatan Operasional setelah distribusi bagi hasil untuk Investor Dana Investasi Tidak Terikat (I - II)	2.155.553	1.536.011
	IV. Beban (pendapatan) penyisihan penghapusan aktiva	296.149	351.140

V. Beban (pendapatan) estimasi kerugian komitmen dan kontinjensi	229	718
VI. Beban Operasional Lainnya	1.310.581	751.649
A. Beban Bonus Titipan Wadia	24.266	18.248
B. Beban Administrasi dan umum	200.927	108.448
C. Beban Personalia	667.043	335.379
D. Beban penurunan nilai surat berharga	-	-
E. Beban transaksi valuta asing	-	-
F. Beban promosi	70.909	40.398
G. Beban lainnya	347.436	249.176
VII. Laba (Rugi) Operasional (III-(IV+V+VI))		
<b>PENDAPATAN DAN BEBAN NON OPERASIONAL</b>	<b>548.594</b>	<b>432.504</b>
VIII. Pendapatan Non Operasional	4.828	3.415
IX. Beban Non Operasional	683	257
X. Laba (Rugi) Non Operasional (VIII - IX)	4.145	3.158
XI. Laba (Rugi) Tahun Berjalan (VII + X)	552.739	435.662
XII. Taksiran Pajak Penghasilan	143.619	115.613
XIII. Jumlah Laba (Rugi)	409.120	320.049
XIV. Hak Minoritas	-	-
XV. Saldo Laba (Rugi) awal tahun	1.358.882	940.362
XVI. Dividen	-	-
XVII. Lainnya	-	-
XVIII. Saldo Laba (Rugi) akhir periode	1.768.002	1.260.411
XIX. Laba bersih per saham	-	-

Source: <http://www.syariahmandiri.co.id/>





## **CHAPTER V**

### **CONCLUSION**

#### **5.1. Conclusion**

Based on research that has been carried out on PT BSM Padang branch Office, the author can conclude as follows:

PT Bank Syariah Mandiri as one Islamic Bank in Indonesia in conducting its operations has two functions act as deposit funds institutions and disbursement of funds to public institutions. Its main activity is to mobilize funds from the public and the distribution of funds in the form of financing to communities in need. In performing its function as an institution funds, PT BSM has several products, among which are based on the principle of financing for the results of the *mudaraba* and *musharaka*.

*Musharaka* and *mudaraba* financing and implementation of revenue sharing associated at PT BSM are still not in accordance with Islamic principles. This evident can be seen in some of the things that the author have found, among which are associated with *yadul amanah* principle of trusteeship, profit sharing and *mudaraba* on *mudaraba* property.

PT BSM will use the collateral in exchange for financing *mudharib* that cannot be returned by *mudharib* even if it is not caused by negligence of *mudharib*. This is contrary to the concept of trust in *yadul amanah*

principle. In addition, PT BSM uses the method of revenue sharing account for the results to be received from mudharib. The use of this method resulted that in shahibul maal (PT BSM) did not participate to bear the operational costs incurred by mudharib to manage the property mudaraba. This is certainly not consistent with the concept in Islam that requires mudaraba as shahibul maal participate bear the costs incurred for property management mudaraba. In terms of profit sharing, PT BSM receives benefits that have been distributed along with payback in installments every month. These advantages should be received by the bank when financing has been completed and the capital has been restored completely by mudharib. Furthermore, mudaraba by Islamic banks categorized as activities that exceed the limit because if the property do mudaraba on mudaraba, then the owner should not bear the initial financial losses caused by the negligence of both parties.

## **5.2. Suggestion**

In the implementation of operations, BSM is not one hundred percent in accordance with muamalah concept in Islam. Yet efforts to implement the Sharia Bank fraction of the economic sector based on Islam should be respected. To that end, without prejudice to the spirit in the conduct of economic Islam, the author intends to provide input in the form of advice to PT. Bank Syariah Mandiri, namely:

- 1. Participates in developing relevant rules of Islamic banking and always follow the latest developments in particular rules regarding the accounting practices of Islamic banking.**

2. Not prioritize only for profits, but bear all the risks that occur due to loss on mudaraba not only borne by mudharib. This is what differentiates between Islamic banks from conventional banks that only profit-oriented.
3. If the bank wants to give mudaraba financing, which is one of the functions of the bank as a financial intermediary, the authors suggest to use mudaraba mugayada, where the bank acts as an agent between shahibul maal investment (the owner of the funds) and mudharib (those who need / manager funds) so that in this case, the bank does not do mudaraba on mudaraba.



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