

## Islamic Accounting : Coherency between Musharaka and Mudharaba Financing on Syaria Rural Bank (SRB) towards SFAS 106 and 105

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**Abstract:** Sharia Rural Bank is a financial institution of Islamic banking, which is the pattern of operations follows the principles of sharia or Islamic muamalah. In its operations there are several financing, such as *musyaraka* and *mudharaba*. Musharaka is a partnership contract between the owners of capital by mixing their capital for purposes of profit, whereas, mudharaba is the term refers to a form of business contract in which one party brings capital and the other personal effort. The proportionate share in profit is determined by mutual agreement. But the loss, if any, is borne only by the owner of the capital, in which case the entrepreneur gets nothing for his labour. to attain a compatability with Islamic Shari'a, needs cornerstone of laws, SFAS 106 and 105 is a benchmark that used as guidelines related to conformity accounting treatment of Musharaka and mudorobah financing on Sharia Rural Bank. The purpose of this article is to provide an understanding of accounting Musharaka and mudaraba, cornerstone of laws and accounting applications of *musyaraka* and *mudharaba* financing within Syaria Rural Bank. Second, describes SFAS 106 and 105, and third, suitability between Musharaka and *Mudharaba* Financing on Syaria Rural Bank (SRB) towards SFAS 106 and 105. This article literarture review was compiled based on reference books and journals. The study shows that Musharaka and mudaraba financing into Syaria Rural Banks does not necessarily always have coherency towards SFAS 106 and 105.

**Keywords :** islamic accounting, musyaraka, mudharaba

*Musharaka* can be viewed as a common form of an undertaking for the results, the other terms of *musyaraka* is syirkah which means partnership, union or partnership. (Sula: 2010). Additionally Musharaka can be interpreted as a collaboration between two or more parties in a particular business in which masing each party contributes funds to the benefit and risk in the responsibility shared by the agreement that was made (Sudarsono, 2003). According to the National Islamic Council MUI defined that Musharaka is an agreement of cooperation between two or more parties to a specific business, in which each of them provide funding kontribus with provisions and losses divided by agreement. It can be concluded that the Musharaka is a partnership contract which involves two or more people in a certain business which if experience gains or losses will be divided based on the agreement that has been done. Musharaka is divided into two types: permanent and Musharaka Musharaka declined. Musharaka Musharaka permanent is that the distribution of funds to each of its partners have been determined in accordance with the contract and has remained up until the end of the contract period. While decreasing Musharaka (*Musyaraka Mutanaqisah*) is *musyaraka* with the provisions of section entity funds will be transferred gradually to other partners so that the funds of entities will decrease and eventually partner contract period will be the owner in full. Permanent Musharaka is divided into four types: (1) *Inan*, a joint venture (joint venture) in which capital and expertise given is not the same. (2) *Mufawadhah*, a joint udaha where capital and expertise given the same amount and quality. (3) *Abdan*, a joint venture in which the capital

provided in the form of labor or expertise. (4) *Wujuh*, a joint venture in which one of the capital provided dalam good name.

*Mudharabah* can be defined as a partnership between the owners of capital to the fund manager in order to make a particular effort with the results based on the ratio. Another understanding explains the meaning of *mudharaba* is an agreement of cooperation in a venture between *shahibul maal* (Own funds) with *mudharib* (the fund manager) with the acquisition for *hasi* based on an agreement in advance. In this case, if the business suffered a loss, then the owner of that bear such losses unless the loss by negligence disebabkan fund managers, such as misappropriation, fraud, breach of rules etc (Muhammad, 2005). In other words *mudharaba* can be defined as an agreement between the owners of capital (in the form of financial or goods) with the employer (the fund manager) which the owner is willing to finance the business as a whole and fund managers bersedi manage capital and profit sharing arrangements in accordance with the agreement. Types of *mudharaba* in to form the three of them: 1) *mudharaba mudharaba mutlaqah* is the kind where the owners of capital gives freedom to the fund manager in order to take the business to run its investment. 2) *Mudharabah Mudharabah muqayyadah* is the kind where the owners of capital provide restrictions on fund managers, including the location, and businesses on how to use the investment. 3) *Mudharaba Musharaka* which gives fund managers participated in the capital investment cooperation.

### Law of Musharaka and mudaraba

#### *Musharaka*

Al-Quran

In the word of God in Surat An-Nisa 'verse 12 which reads

“And if a man or woman leaves neither ascendants nor descendants but has a brother or a sister, then for each one of them is a sixth”.

And indeed, many associates oppress one another, except for those who believe and do righteous deeds - and few are they." And David became certain that We had tried him, and he asked forgiveness of his Lord and fell down bowing [in prostration] and turned in repentance [to Allah ]. “ ( Qs.Shad (38):24 ).

Sunah

“From Abu Hurairah that the Prophet SAW said, Allah SWT says: "I was a third party between two people yng bersrikat for one party does not betray the other. if one of the parties has been betrayed, I came out of them ". (HR. Abu Dawud from Abu Hurayrah).

#### *Mudharaba*

According to the consensus of the scholars' law of *mudharaba* is allowed (allowed but not required) (Turrosifa: 2013). In the Qur'an and Hadith explained about *mudharaba*

Al-Quran

“And if you are on a journey and cannot find a scribe, then a security deposit [should be] taken. And if one of you entrusts another, then let him who is entrusted discharge his trust [faithfully] and let him fear Allah , his Lord. And do not conceal testimony, for whoever conceals it - his heart is indeed sinful, and Allah is Knowing of what you do”(QS Al-Baqarah :283)

Sunah

Of Salih bin Suaib r.a that the Messenger of Allah said, "in which there are three things blessed: buying and selling is tough, muqaradhah (mudaraba), and mixing up with flour for domestic purposes and not for sale." (HR. Ibn Majah)

"Abbas bin Abdul Muttalib if handed treasure as mudaraba, it requires the managers of the funds that are not across the sea and down the valley, and does not buy cattle. If the requirements are violated, he (pengelola funds) should bear the risk. When the requirements set Abbas heard the Messenger of Allah, he justifies. "(HR. Thabrani of Ibn Abbas)

### ***Musharaka and mudaraba financing***

As has been explained above concerning the legal basis of the financing is based on the principle of Musharaka and mudaraba allowed. The bank with its system entered into partnerships with customers in a certain period of time to build a business (Supriyadi, 2004).

In practice there are pillars, the terms and conditions of Musharaka and mudaraba financing that must be met based on SFAS 106 and 105, among others:

### ***Musharaka financing***

Legitimate requirement of a transaction is dependent on what is traded, in this case something that must be managed and can be represented so that something invested can be binding on the parties hereto. Based on the opinion of Imam Hanafi, there are two pillars and Musharaka financing requirement that consent and qabul. However, there are some scholars who argue that the pillar in Musharaka financing there are several kinds of them:

1. Speech, supply and demand (consent and qabul). Akad *musyarakah* not have a special shape, as long as there pelafatan representing the destination. and the contract is considered valid if there is a verbal utterance and the contract are recorded in writing and there is a third party as a witness.
2. The contracting parties. In'll *musyarakah* the contracting parties should be able to either provide the mandate and given the mandate, because in Musharaka contract partners also play a role represents a treasure to be pursued.
3. Objects deal: capital and labor. Capital: What is meant by capital is in the form of cash, gold, silver, or which have the same value. Capital can be in several forms such as trading assets, goods, equipment and more. It can also take the form does not look like patents, licenses. Work: in the implementation of the members shall participate in the work being done in an effort that was developed tanpa exception. But the similarity of work is not a requirement. if there are members who do more work than the other regards it is permitted and allowed anyway require additional gains for themselves. Described also by Muhammad that *musyarakah* can turn into the contract if it has fulfilled the requirements and get along rukunnya, including: (1) the words that indicate permission will control a treasure, (2) members of mutual trust and trust, (3) treasure (capital) which will invest blended into one, (ukun legitimate in doing Musharaka is: (1) types of capital assets, (2) ratio for the outcome of capital unionized, (3) content of work of each party association. (Yuwono, 2012)

### ***Mudharaba financing***

Pillars and the terms of the financing is telahd i explained by MUI national Islamic council No: 07 / DSN-MUI / IV / 2000, which contains about:

Pillars and Conditions Financing:

1. The financiers (sahibul maal) and managers (mudharib) must be capable of law.
2. Statement of consent and qabul must be declared by the parties to demonstrate their will to enter into a contract (contract), taking into account the following matters: (1) Offer and acceptance should explicitly indicate the purpose of the contract (contract). (2) Acceptance of the offer made at the time of the contract. (3) Akad put in writing, by correspondence, or by using modern ways of communication.
3. Capital is the amount of money and / or assets given by the provider of funds to mudharib for business purposes with the following requirements: (1) Capital should note the number and type. (2) Capital can take the form of money or goods were assessed. If the capital is given in the form of an asset, the asset must be assessed at the time of the contract. (2) Capital can not be in the form of accounts receivable and payable to mudharib, either gradually or not, in accordance with the agreements in the contract.
4. Gain mudaraba is the amount obtained as the excess of capital. Terms profits following must be met: (1) Should be reserved for both parties and should not be required to only one party. (2) Proportionate share of the profits for each party must be known and stated at the time the contract was agreed and should be in the form percentage (ratio) of profits under the agreements. Changes in the ratio should be based on an agreement. (3) Fund providers bear all the losses resulting from the mudaraba, and managers should not bear any losses resulting from errors unless intentional, negligence, or violation of the agreement. The business activities by the manager (mudharib), as the balance (muqabil) capital provided by the fund providers.

## SFAS 106 and 105

### SFAS 106

In SFAS 106 contains rules relating peratutan matters relating to Musharaka. Among others :

1. Recognition and measurement. For accountability Musharaka and business management as a basis for the determination of the results, the active partners or those who manage businesses *musyarakah* must make separate accounting records for the business Musharaka (SFAS No. 106, par 13).
2. Presentation of Musharaka. Active partners presenting the following matters related to the business *musyarakah* in the financial statements: (1) Cash or non-cash assets are set aside by the active partner and received from the passive partner presented as investments Musharaka; (2) Musharaka assets received from the passive partner presented as a component temporary syirkah funds; (3) Difference in votes Musharaka assets, if any, are presented as an equity component (SFAS No. 106, par 35).

The passive partner presents the following matters related to *musyarakah* businesses in the financial statements: (1) Cash or non-cash assets transferred to active partners served as Musharaka investments; (2) Deferred Gain on revaluation increment noncash assets submitted on fair value is presented as a contra account (contra account) of investment Musharaka (SFAS No. 106, par 36).

3. Disclosure Musharaka. Partners reveals things related Musharaka transactions, but are not limited to: (1) the contents of the main agreement Musharaka effort, as part of the funds, (2) sharing of results of operations, business activities Musharaka, and others; (3) business manager, if there is not an active partner; and (3) disclosure is necessary in accordance with SFAS 101: Presentation Islamic Financial Statements (SFAS No. 106, par 37).
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## SFAS 105

As we know that FRS is the standard used in the context of financial reporting country Indonesia (Turrosifa, 2013). FRS is a guideline used for the preparation of financial statements. In SFAS 105 regulates everything related to the transaction of financing.

### Recognition of Financing

SFAS No. 105 Paragraphs 12, *mudharaba* fund which is distributed by the owner recognized as *mudharaba* investment fund at the time of the cash payment or delivery of non-cash assets to the fund manager. SFAS No. 105 Paragraphs 14 and 15, if the value of the investment *mudharaba* down before businesses started due to damaged, missing or other factors not negligence or fault of the fund manager, the impairment was recognized as a loss and reduce the investment balance *mudharaba*. But if the majority of investment *mudharaba* lost after the commencement of business in the absence of negligence or error on the fund manager, then the loss is calculated at the time for the results.

### Measurement Financing

SFAS No. 105 Paragraph 13 (a), *mudharaba* investment in the form of cash are measured at the amount paid. SFAS No. 105 Paragraph 13 (b), *mudharaba* investment in the form of non-cash diakur at the fair value of non-cash upon delivery: (i) If the fair value is higher than its carrying value is recognized, the difference is recognized as a gain deferred and amortized over the term *mudharabah* time. (ii) If the fair value is lower than its carrying value, the difference is recognized as a loss. Pengakuan bagi hasil *mudharabah*

SFAS No. 105 Paragraph 20, if the *mudharaba* investment exceeds the reporting period, operating income recognized in the period the corresponding entitlement agreed ratio. SFAS No. 105 Paragraph 21, the losses incurred in a prior period expires *mudharabah* recognized as losses and the allowance for investment losses. At the time of the *mudharaba* contract expires, the difference between: (a) Investment *mudharaba* net of allowance for investment losses, and (b) Return on investment *mudharaba*, is recognized as a gain or loss.

SFAS No. 105 Paragraph 23, losses due to negligence or errors charged to the fund manager and the fund managers do not reduce investment *mudharaba*. SFAS No. 105 paragraph 24, part of the results of operations that have not been paid by the fund *pengelola* recognized as receivables. SFAS No. 105 Paragraph 20, if the *mudharaba* investment exceeds the reporting period, operating income recognized in the period the corresponding entitlement agreed ratio.

SFAS No. 105 Paragraph 21, the losses incurred in a prior period expires *mudharabah* recognized as losses and the allowance for investment losses. At the time of the *mudharaba* contract expires, the difference between: (a) Investment *mudharaba* net of allowance for investment losses, and (b) Return on investment *mudharaba*, is recognized as a gain or loss. SFAS No. 105 Paragraph 23, losses due to negligence or errors charged to the fund manager and the fund managers do not reduce investment *mudharaba*. SFAS No. 105 paragraph 24, part of the results of operations that have not been paid by the fund *pengelola* recognized as receivables.

### Measurement *Mudharabah* Profit Sharing

SFAS No. 105 Paragraph 11, sharing *mudharaba* effort to do based on the principle of profit sharing or for profit (profit sharing). If based on the principle of profit sharing, the sharing

of the results of operations are the basis of gross profit (gross profit) instead of total revenue (turnover). Meanwhile, if based on the principle of profit, basic division is the net profit (non-profit) that the gross expenses related to the fund management *mudharabah*.

### **The Final Settlement of an Existing Contract**

The length of cooperation in *mudharaba* is not certain and is not limited, but all parties are entitled to determine the term of the contract of cooperation by notifying the other party. However *mudharabah* can end for matters as follows: In the case of *mudharaba* limited in time, then *mudharabah* end at a predetermined time, namely: (1) One party decides to resign. (2) One of the parties dies or hilnag sense. (3) Pengelolah funds do not run amanahnya as pengelolah effort to achieve the objectives as set forth in the contract. As the parties mengemmban mandate he should be acting in good faith and carefully. (4) Capital is not there. SFAS No. 105 Paragraph 19, if *mudharabah* expire before or when the contract fell empo and unpaid by pengelolah funds, investment *mudharabahi* recognized as a receivable. SFAS No. 105 Paragraph 9, refund *mudharabah* be phased in conjunction with the distribution of profit sharing or in total at the time of the *mudharaba* contract is terminated.

### **Presentation of Financing**

SFAS No. 105 Paragraph 36, the owner serves sebesar *mudharaba* investment funds in the carrying value of the financial statements. SFAS No. 105 Paragraph 37, the fund manager serving *mudharaba* transactions in the financial statements: (a) temporary syirkah funds from owners of the funds are stated at their carrying amounts for each type of *mudharaba*. (B) For the funds earned from temporary syirkah calculated but not yet handed over to the owner of the funds presented as undistributed profits have to share.

### **Research Accomplished**

Research related to the suitability of *Musharaka* and *mudharaba* financing to SFAS 106 and 105 never done such research conducted by Sari (2014) concerning the application of SFAS 106 in accounting for investments *Musharaka*. based on the results obtained related to a review of compliance with SFAS 106 have been realized well in PT. Islamic banks nevertheless Islamic banks must keep in order not to deviate from SFAS 106.

Another study conducted by Yahdiyani (2016) on the analysis of the application of SFAS No. 59 and SFAS. No. 106 on *Musharaka* financing results of this study explain that (1) the accounting recognition of the *Musharaka* financing consisting of investment recognition, recognition of losses, the recognition of receivables and the recognition of expenses in accordance with SFAS No. 59 and SFAS No. 106, however, the recognition of profit is not in accordance with SFAS No. 59 and SFAS No. 106 because it is calculated based on projections; (2) measurement of the *Musharaka* financing accounting in accordance with SFAS No. 59 and SFAS No. 106; (3) accounting presentation to *Musharaka* financing is not in accordance with SFAS No. 59 and SFAS No. 106, it is because there is no grouping of elements of the balance sheet; and (4) the disclosure of accounting to the *Musharaka* financing is not fully in accordance with SFAS No. 59 and SFAS No. 106, such discrepancy is the lack of disclosure of allowance for investment losses *Musharaka* and disclosure of impairment losses *Musharaka* assets.

Furthermore reseaech done by Turrosifa (2013) on the application of SFAS 105 in the transaction of financing shows that Islamic banks have been able to implement SFAS 105. In

other words, the bank's compliance with SFAS 105 can be realized either, so Islamic banks should be able to keep the compliance can continue to run.

In addition, research will be undertaken by Andarini on the analysis of financing transactions based on SFAS 105 shows that financing is still not compliant and has not fully implemented the rules on financing is under SFAS 105. Still there is a mismatch for example the use of revenue sharing in the calculation of the results by the Islamic Bank that are not used anymore in SFAS 105 and the difference between the Bank's mention of the term with SFAS No. 105. The cause of this discrepancy is still guided by the Islamic Bank of SFAS 59, Accounting for Islamic Banking in the application of financing, whereas as of January 1, 2008, SFAS 105, Accounting for Mudharabah been enacted to replace IAS 59 which in the case related with the recognition, measurement, presentation and disclosure.

Based on several studies that have been done show that the application of Musharaka financing and mudaraba not obtaining in accordance with SFAS prevailing there are still some Islamic banks which when viewed farther yet fully realize the IAS, so that more depth always needs to be done to see if the Islamic banks has been completely obedient to SFAS applicable. So with such compliance will not be any party who feels aggrieved parties.

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