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Full Length Research Paper

Accounting information system for profit distribution (al-ishtisrak) of Islamic financial institution

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This study examined the economic rationale and justification for profit distribution practices in Islamic financial institutions in Malaysia. The classification on the pool of funds mobilised and scrutiny on funds employed were investigated in order to form the basis in the upholding of shari'ah dictates in the practices of distribution of profit by the practitioners of shari'ah-compliant financial institutions. The frameworks identified in this study include the principle of true and fair view financial information, the principle of fairness to mankind and the adoption of fund accounting approach in accounting practices for profit distribution. There appear evidences of unjustifiable practices in the course of distribution of profit by the practitioners in this sector of economy. As such, this study offers a guide aimed at ensuring the up holding the principle of on-going concern of the shariah-compliant financial institutions businesses.

Key words: Profit distribution system, pools of funds, principle of fairness to mankind, and shari'ah-compliant

INTRODUCTION

The term profit sharing connotes a financial accounting term and therefore it is worth noting the differences between the objectives of practicing financial accounting in a shari'ah compliant corporation including Islamic financial institutions. Primary objectives of financial accounting in shari'ah-compliant corporations include the concern with obeying and satisfying Allah in their financial and trade dealings, instituting of standards of practices to comply with the principle of shari'ah, the concerned with the profit and loss sharing mechanism in order to uphold the shari'ah principles, the principle to the best of mankind, upholding the principle of fairness to mankind and the focus on equitable profit-loss sharing and social responsibilities in collective perspective (Mohd Nasir bin Mohd Yatim and Amirul Hafiz bin Mohd Nasir, 2008)

In contrary with the conventional counter-part, it concerns with satisfying the users in the affairs of financial dealing. Instituting of standards of practices is to comply with the man made law. It also concerns with the interest as benefit on deposits and funds mobilised and benefit on borrowing. The focus on return on investment and interest on deposit and funds mobilised in the form of investment in individualistic perspective. In order to achieve the above primary objective, the secondary objectives of financial accounting shall be met, which are to include, firstly, to measure assets and liabilities, to record transaction and to disclose information

Archival study

The recognized object of any business is to earn profit. However, it is not easy to establish the components of the profit. Profit may be defined as the increased in the net value of assets of a business over their net value of obligations at the commencement of a given period other than capital adjustment. The definition has the advantage of brevity due to the difficulties, which have arisen in practice. A more exact description on the meaning of profit has been described by the court in the case of the Spanish Prospecting Company Limited (1911) in which, it was described as the total assets of the business at any two dates being compared (Banking Practices) The increase which is shown at the later date as compared with the earlier one, of course after allowance being made for any capital introduced into or taken out of the business represents in strictness the profit of the business during the period in question. Further, it is better to under-rate the profit since it is impossible for one to see all the risks that confront the business in future.

There is wide variation of practices in estimation of profit. This liberty ceases when the rights of third parties intervene. Profit involves the rights of third parties which is actual profit from the legal perspective. In order to distribute profit without making adequate provision for replacement of assets in the form of depreciation on assets is an unwise is an unwise policy to pursue. A sole-proprietor and a partnership are free to pursue any course of action in this respect or even a limited company is not legally required that fixed assets be depleted. Nevertheless, to ignore depreciation on fixed assets of a business, and merely save in isolated cases would lead to business failure in future. The situation is worse if assets have to be replaced at higher costs than before. Therefore, allocating the depletion is actually ploughing back profit or retention of profit either for specific purpose or for the general expansion or strengthening of the business. This represents a framework for the justification in developing AIS for profit distribution of a financial institution which uphold the principle of on-going concern of a business. This is also in conformance with the principle of al-falah and beneficial to society (ummah) at large (Mohd Nasir bin Mohd Yatim, 2009b).

In considering the amount of profit available for such retention, a company must firstly; satisfy the sum to be appropriated is available. Of course, this must only be considered after all known due liabilities and provision for liabilities likely to arise which is still uncertain in term of its amount. In this discussion, it is important to explore on the concept of provision and amortization. The definition of provision and reserve are the opposite of each other (Malaysian Companies Act 1965 [Ninth Schedule]}. The framework of uqud al-ishtirak refers to profit sharing contracts. Ibnu Hazm (456-1064) has emphasized that each chapter of fiqh has a basis in Qur'an and Hadith. Another fundamental of profit and loss sharing in mu'amalah transaction is the concept of musharakah. It refers to perspective of partnership or a business venture (Qur'an verse 4:12 and verse 38:24). The Muslim jurists have justified the validity of musharakah in business ventures. Reports attributed to the prophet and his companions are another source of fiqh. It relate to justification of musharakah (Mohd Nasir bin Mohd Yatim, 2009). Several sayings attributed to companions indicated that the earliest Muslim community practiced some form of partnerships. However, it has not provided any details as to the term and condition of such partnership which is then provided in fiqh as a result of ijtihad by Muslim jurists.

In fiqh, the financial dealing framework of musharakah is used in a much wider sense than what is applied by Islamic financial institutions. The most appropriate form of musharakah in Islamic financial institutions is inan-fi-al-mal contract, where capital is specified clearly in monetary term which must not necessarily equal in amount amongst the partners. According to Hanafi jurists, this form of musharakah is valid and the partners can delegate the function of managing the musharakah to an agent or even any of the partners in view of profit (Mohd Nasir bin Mohd Yatim, 2000). Further, the right of independent of management is given to them according to the customary practice of traders or entrepreneurs.

The duration of musharakah can be either for a short or long period or even be continued indefinitely to achieve a specific purpose. The contract may be for the purpose of a trade and to share profit from the venture and in case of loss, it has to be shared by the partners. The four Sunni schools of fiqh have agreed that each partner is a trusted person. As such each partner cannot demand guarantee from the other or otherwise will nullify the contract void (Mohd Nasir bin Mohd Yatim and Amirul Hafiz bin Mohd Yatim, 2008)..

According to Hanafi's and Hanbali's's school of thought, the proportion of profit must be clearly specified in a contract of musharakah. However, the Shafie's school of thought is of the view that, there is no need to indicate the profit sharing ratio in a contract of musharakah. Its reason is simply because the deed does not permit a divergence between capital contribution and profit sharing ratio. According to Nawawi (676-1277), a Shafie's jurist, profit and loss should be in proportion to the capital provided, whether or not the labour provided by the partners is equal. There is also a considerable flexibility in the determination of profit sharing ratio within the Hanafi and Hanbali schools in which the partners may share in the profit on either equal or unequal basis. The literature review on Islamic economic and banking published during 1960s and early 1970s have shown that financing activities have been extended to entrepre-neurial clients based on the principle of profit and loss sharing. However, the institutions established thus far are not pure profit and loss sharing institutions as some institutions also use other vehicles to facilitate the financing activities including leasing and mark-up trading. Another shari'ah-compliant financial business framework is mudharabah. Homoud, a theoretician on Islamic bank-ing commented that mudharabah has been practiced by the institutions with utmost caution due to doubt about trustworthiness of people. In fact this method of financing helps to realize the objectives of the shari'ah as well as the ummah in achieving al-falah. One way that can improve the popularity in the use of mudharabah in financial business operation with an almost risk-free, is by encouraging the offer for short-term commercial mudharabah, which also include in placement of funds activities with very stable establishments, such as employee provident funds or even the government-linked-companies. On the other hand, one has to under-stand the main reason as to why Islamic financial institutions prefer the pre-determined return based types of financing as compared to profit and loss sharing based types of financing due to firstly, most Islamic financial houses do not regard themselves as development banks or investment banks. As such it is worthy that development business is undertaken by state run institution to finance various projects. Secondly, the depositors' and investors' expectations on competitive returns exert pressure on the institution to involve mostly in risk-free contracts and not with risky projects which normally have gestation periods before they break-even and thirdly the liquidity risk is another factor as it is very risky to finance medium and long-term projects out of short-term funds.

RESEARCH METHODOLOGY

The population that has been identified in this study are the depositors and investors of Islamic financial institutions (IFI) as they are primary users of the AIS for profit distribution system. This study emphasised on qualitative research method and employed exploratory research approach due to their appropriateness in achieving the objective of this study. In addition analytical and comparative approaches to research were also applied where appropriate by conducting scrutiny on relevant documentation with reasonable broad and in-depth study of the subject matter and making some comparison where necessary. This is to ensure coverage on the locus and focus of the issue under-studied are reasonably justified in holistic nature and thus retaining the scientific characteristics of this study [Mohd Nasir, 2004].

In this study, it was hypothesized that the existing approach of profit sharing between the depositors and investors with the shari'ah compliant institutions is not justifiable and lead to unfairness. In order to establish the trueness of this assertion, interviews were conducted with the users of information displayed in the premises of financial institutions. Field study using observation and interviews approaches were also carried out in an effort to validate the above assertion in the hypothesis and thus ensuring the reliability of the findings from this study. The interviews were aimed at getting into the insight of the understudied issue from the perspective of the operators, users, regulators and both external and internal auditors. The emphasis on qualitative research method and descriptive research approach are also relevant for this study. Using comparative analysis and exploring the issue being addressed in this study with analytical mind through scrutiny on relevant documentation help in forming a generalisation on the assertion and subsequently theorising it. These were then evidenced with mathematical modelling along with the explanatory method to describe the AIS using hypothetical numbers consistently throughout the three presented alternative approaches in the innovation of AIS for GPS of IFIs that will be described in the next section on 'Discussion and findings'. Such approach was adopted from theoretical exploration studied by Mohd Nasir (2009) and Masudul (2008).

DISCUSSION AND FINDINGS

Generally the sources of funds in Islamic banking business are contributed in the form of shareholders' fund provided by the equity owners, deposit provided by the depositors and investments fund provided by the invest-tors. The shareholders fund comprise of paid up capital, retained earning, share premium and reserve. Basically all those funds are being utilized for the purpose of development of the establishment, investment in subsi-diaries, investment in the stock market and investment in commodities (Mohd Nasir bin Mohd Yatim, 2009a). The deposit fund is mobilized through current accounts and saving accounts. Investment fund is mobilized through unrestricted investment accounts or general investment accounts (mudharabah al-mutlaqah accounts) and restricted investment accounts or special investment investment accounts (mudharabah al-muqaiyyadah accounts).

Next, the application of funds is discussed. The mobilized funds in the form of deposit, investment funds and marginal deposits contributed by customers were used as investments that conformed to various financing requirements. A certain percentage of these eligible liabilities were subjected to statutory reserve requirement which is imposed by the regulator where in this case is the central bank. In addition to this, Islamic financial institutions were also required to conform to the liquidity requirement by having to maintain a certain percentage of eligible liabilities in addition to the earlier discussed percentage of statutory reserve. Such requirement were maintained in the form of cash, accounts with other banks, account with central bank, accounts with depo-sitory agents and investment in government investment certificates. The remaining was invested in financing activities, investment in stock market, commodities, government investment certificates and participation in consortium projects.

The utilisation of funds happened in both the head office level and branch office level of an institution. At this juncture, the types of funds involved were noted to have included the deposits, unrestricted investment funds, restricted investment funds and shareholders' funds. The funds that constituted the eligible liabilities were deposits, unrestricted funds and restricted funds. Firstly, the funds shall be applied for accounts to be maintained by treasury namely the trea-sury accounts and operational accounts. The treasury accounts are comprised of the statutory reserve account maintained with regulator, the central bank. The liquidity reserve requirement accounts and the excess funds account to which investment transactions are related such as the application of funds in Government Invest-ment Certificate(GIC), inter-bank investment with deficit banks, inter-branch investment with deficit branches and foreign exchange. The operational account is maintained at the head office of an institution is to facilitate the inter-branch transfer and to cater for head office transfer. The shareholders' funds minimum amount shall conform to the regulator's requirement for the setting up of the establishment. Such funds shall be managed by the treasury department of the institution. The avenues for investments for these funds are already discussed earlier with further inclusion of Islamic accepted bills (IAB) and investment in shares. The gross profits from those investments shall then be pooled as pool of profit from utilization of shareholders' funds.

Findings on scrutiny on the application of funds at the branch level are now noted. Firstly, the branch has to consider its cash in till requirement. This is then followed by the statutory reserve and liquidity reserve require-ments. Both the statutory reserve and the liquidity reserve requirements are normally monitored centrally for one whole institution by the treasury department of the institution based on the consolidated balance provided by the institution's central account department. The statutory reserve is maintained with the regulator, the central bank. However, the liquidity requirement can be maintained by the treasury department under a pool of fund basis at head office level of the institution. Further, the gross profit generated shall then be distributed on monthly basis in proportion to the moving average daily balances. The investment avenues for the application of funds at the branch level of an Islamic bank include the al-mudharabah financing, al-musharakah financing, al-bai' bithaman ajil financing, al-ijarah contract, al-qard al-hassan financing, al-tamwil financing, al-naqdi financing, al-sarf contract particularly for forex activities and investments though treasury department of the bank such as in activities of bridging of funding on recallable term. Gross profit created from the utilization of funds provided by the depositors and investors shall be shared in compliance with the principle of true and fairness on the affair of business events. In this regard, the generated gross profit shall be pooled prior to its distribution or apportionment. The gross profit is contributed from minimal return from liquidity requirement, dominant return from investment in financing portfolios and the substantial return from treasury activities

In discussing the distribution of profit, one shall recall that the apportionment is carried out on a monthly basis, based on the monthly moving average daily balances of the various classes of funds. The bank shall justify the best of mankind principle when deciding on the approach or method of apportionment particularly that relate to the variation in the profit sharing ratios. In this regard, the bank should determine the daily moving average daily balances of the deposits, shareholders funds, unrestricted investment funds and the restricted investment funds. The basis for practicing the management of funds of Islamic banking businesses is based on pool of fund concept. By adopting such fund accounting concept, the following principles shall be clearly observed so as to ensure the compliance of the shari'ah dictates which includes compliance on shari'ah assembly of jurisprudence, principle of true and fair view on the affair of businesses and the best of mankind principle.

Generally there are four types of pools of funds namely the shareholders funds, depositors funds, unrestricted investment funds / general investment accounts and restricted investment funds / special investment accounts. At this point, one has to note that the gross profit of an Islamic financial institution shall be treated differently based on the sources of funds. The gross profit of an Islamic bank shall be distributed in the form of operating expenses, zakat, taxation, dividend, reserve and retained earning. In addition to the above one has to also note on the elements of bank's income which are composed of income from utilization of depositors' depo-sits apportioned to the bank for being the mudharib in managing the investments portfolios, income from utilization of shareholders' funds, income from utilization of unrestricted investment funds apportioned to the bank as mudharib, income from utilization of restricted funds apportioned to the bank as mudharib, service charges, commission and any gain or loss in event of carrying out the business of the bank. On the other hand, the elements of expenses include establishment expenses, staff expenses and operating expenses. There are at least three approaches or methods that can be adopted in designing an accounting information system for profit distribution of an Islamic financial institution. The approaches or methods are as follows. Gross profit sharing (GPS) information system with constant pre-agreed sharing ratios for all categories of fund providers (Appendix 1). Gross profit sharing (GPS) information system with varied introduced weighted factors for all categories of fund providers (Appendix 2). Gross profit sharing (GPS) information system with variation of pre-agreed sharing ratios for all categories of fund providers (Appendix 3)

These approaches are differentiated by elements or factors as a basis in discriminating the actual rate of profit or rate of return between different categories or classes of providers of funds. In order to understand the overall picture of the GPS accounting information system, let us firstly identify what are the variables need to be considered in such system that are commonly shared by all of the above mentioned approaches. They are the fund providers, bank, categories or classes of fund providers, monthly average daily balance, monthly gross profit, pre-agreed sharing ratios for all categories of fund provider, amount of profit shared between all categories of fund providers and the bank and annualized rate of profit or annual rate of return for all categories of fund providers and the bank. The fund providers of an Islamic financial institution are comprised of the share-holders, saving accounts holders, current account holders, unrestricted investment account holders and the restricted accounts holders. Therefore the categories of fund providers are classified based on the types of funds or accounts which one contracted with the institution. Such classes are current accounts, saving accounts, unrestricted investment accounts, shareholders equities and restricted investment accounts. It is a normal practice of banking business to further categorize the unrestricted investment accounts according to the tenors of investments, which are normally be contracted for 1, 3, 6, 9, 12, 15, 18, 24, 36, 48 and 60 months as shown in Appendix 1.

The monthly average daily balances are determined on the basis of moving average which is then being total-up to be reconciled to achieve the objective of accuracy of the balance with the amount reported as eligible liabilities. Monthly gross profit shall be determined by the bank on every last date of the month and such amount is then being apportioned to the various classes of the fund providers. The important issue about such apportionment has to be addressed here in order to promulgate the principle of objectivity, uniformity, comparability, consistency, reliability and understandability as well as validity

Appendix 1. Gross profit sharing (GPS) information system with constant pre-agreed sharing ratios for all categories of fund providers.

Type of funds	Monthly average daily balances (RM)	Monthly gross rofits (RM)	Funds providers			Bank		
			Sharing ratio	Amount of profit shared (RM)	Rate of return% p.a	Sharing ratio	Amount of profit shared (RM)	Rate of return % p.a
Saving accounts	311,000,000	2,747,392.19	0.50	1,373,696.10	5.30	0.50	1,373,696.09	5.30
Unrestricted investment accounts								
1 month	72,000,000	636,052.21	0.70	445,236.55	7.42	0.30	190,815.66	3.18
3 months	124,000,000	1,095,423.25	0.70	766,796.28	7.42	0.30	328,626.97	3.18
6 months	90,000,000	795,065.26	0.70	556,545.68	7.42	0.30	238,519.58	3.18
9 months	9,500,000	83,923.56	0.70	58,746.49	7.42	0.30	25,177.07	3.18
12 months	230,000,000	2,031,833.45	0.70	1,422,283.42	7.42	0.30	609,550.03	3.18
15 months	15,000,000	132,510.88	0.70	92,757.62	7.42	0.30	39,753.26	3.18
18 months	5,000,000	44,170.29	0.70	30,919.20	7.42	0.30	13,251.09	3.18
24 months	12,000,000	106,008.70	0.70	74,206.09	7.42	0.30	31,802.61	3.18
36 months	3,000,000	26,502.18	0.70	18,551.53	7.42	0.30	7,950.65	3.18
48 months	350,000	3,091.92	0.70	2,164.34	7.42	0.30	927.58	3.18
60 months	36,000,000	318,026.11	0.70	222,618.28	7.42	0.30	95,407.83	3.18
Total	907,850,000	8,020,000.00		5,064,521.58			2,955,478.42	

bin Mohd Yatim, 2004). Gross profit sharing information system with constant pre-agreed sharing ratios for all categories of fund providers as shown in Appendix 1, apportioned the bank's gross monthly profit based on a uniform pre-agreed sharing ratio. For instance, saving accounts are shared on 50:50 basis and unrestricted investment accounts for all classes of tenors on 70:30 basis between the funds providers and the bank respectively. The implication from practicing such approach is resulting in the same annual rate of returns for all classes of unrestricted investment accounts with different tenors. Therefore, such approach is not motivating healthy investment climate. This contributes to conflict of objective in offering the various classes of unrestricted investment accounts under the principle of mudharabah. As such, this approach can be discriminated in the search for a better alternative approach in the process of developing the GPS information system of an Islamic financial institution.

In the following discussion, it is about introducing GPS information system with varied introduced weighted factors for all categories of fund providers as depicted in Appendix 2. The characteristic of this approach that differs to the earlier as discussed is the introduced weighted factor. The objective of introducing this factor is to give different results in rate of returns between all classes of unrestricted investment accounts based on the tenors contracted by the funds providers with the bank. The implication from such adopted approach is that, annual rate of returns on investments varies incrementally and positively with the increased in the period of tenors for the investments. Adopting such approach might still be confronted with criticism on the issue of how scientific are the weighted factors being determined for every classes of the investments. Further, a question like why is weighted factor of 1 is introduced for saving account and similar to the unrestricted investment account for a tenor of 12 months as depicted in Appendix 2. This is of course relating to the issue on reliability and validity of the use of such factors in the approach for the apportionment of profit between the funds providers and the bank. Nevertheless, adopting such approach is able to achieve the objective of discriminating annual rate of returns to the various classes of unrestricted investment accounts by tenors.

In the next discussion, we shall learn on the third approach on how the gross profit is shared

Appendix 2. Gross profit sharing (GPS) information system with varied introduced weighted factors for all categories of fund providers.

Type of funds	Monthly average daily balances (RM)	Weighted factors	Weighted proportion of balances	Monthly gross profits (RM)	Funds providers			Bank		
					Sharing ratio	Amount of profit shared (RM)	Rate of return % p.a	Sharing ratio	Amount of profit shared (RM)	Rate of return % p.a
Saving accounts	311,000,000	1.00	311,000,000	2,834,622.76	0.50	1,417,311.38	5.47	0.50	1,417,311.38	5.47
Unrestricted investment accounts										
1 month	72,000,000	0.80	57,600,000	524,997.66	0.70	367,498.36	6.13	0.30	157,499.30	2.63
3 months	124,000,000	0.85	105,400,000	960,672.79	0.70	672,470.95	6.51	0.30	288,201.84	2.79
6 months	90,000,000	0.90	81,000,000	738,277.95	0.70	516,794.57	6.89	0.30	221,483.38	2.95
9 months	9,500,000	0.95	9,025,000	82,258.75	0.70	57,581.13	7.27	0.30	24,677.62	3.12
12 months	230,000,000	1.00	230,000,000	2,096,344.81	0.70	1,467,441.37	7.66	0.30	628,903.44	3.28
15 months	15,000,000	1.05	15,750,000	143,554.05	0.70	100,487.84	8.04	0.30	43,066.21	3.45
18 months	5,000,000	1.10	5,500,000	50,129.98	0.70	35,090.99	8.42	0.30	15,038.99	3.61
24 months	12,000,000	1.15	13,800,000	125,780.69	0.70	88,046.48	8.80	0.30	37,734.21	3.77
36 months	3,000,000	1.20	3,600,000	32,812.35	0.70	22,968.65	9.19	0.30	9,843.70	3.94
48 months	350,000	1.25	437,500	3,987.61	0.70	2,791.33	9.57	0.30	1,196.28	4.10
60 months	36,000,000	1.30	46,800,000	426,560.60	0.70	298,592.42	9.95	0.30	127,968.18	4.27
Total	907,850,000		879,912,500	8,020,000		5,047,075.47			2,972,924.53	

(Mohd Nasir between the various classes of funds providers and the bank. This approach is gross profit sharing information system with variation of pre-agreed sharing ratios for all categories of fund providers as shown in Appendix 3. By adopting this model, the bank has taken the initiative to get rid of the introduced weighted factors in order to discriminate the rates of returns between all classes of funds providers. However, the objective to differentiate the performances of investments by classes based on tenors still need to be upheld. So, the solution to this is to come back to the basic principle of the concept in used or rendered by the bank in mobilizing the funds which is in this particular discussion is mudharabah concept. In discussing this issue, we have to recall the basic principle of the six tenets to mudharabah, namely the owner of capital (Sahibul maal or Rabbul maal), entrepreneur (mudharib), capital, project, pre-agreed profit-sharing-ratio and the agreement or being referred to as ‘akad or sighah or ijab and qabul (Mohd Nasir bin Mohd Yatim and Amirul Hafiz bin Mohd Nasir, 2008). Being one of the tenets of mudharabah, the pre-agreed profit sharing ratio can be applied as a varying factor in discriminating the rates of returns from the investments. The only condition is that, it has to be pre-agreed to avoid any dispute in mudharabah contract. In this regard, the investors shall be well informed of the basis of proposed pre-agreed sharing ratio which is based on the track records of financial performance of the bank.

Based on the field study and observation made in this study, it is found that, the practice in accounting information system for distribution of profits by the Islamic financial institutions varies between one with another. Such phenomenon might give impact based on the model used for the purpose. The use of the second model as in Appendix 2 validated the hypothesis that the existing approach in determination of profit being shared between the depositors and investors with the shari’ah compliant institutions is not fair to mankind. It is also found that the variation in model used by these institutions from model 2 to 3 is an effort toward better conformance in complying with the shari’ah dictates. Such practice would also enhance the upholding of the principle of objectivity, uniformity, comparability, consistency, reliability, accuracy, timely and understand-

Appendix 3. Gross profit sharing (GPS) information system with variation of pre-agreed sharing ratios for all categories of fund providers.

Type of funds	Monthly average daily balances (RM)	Monthly gross rofits (RM)	Funds providers Sharing ratio	Funds providers Amount of profit shared (RM)	Funds providers Rate of return % p.a	Bank Sharing ratio	Bank Amount of profit shared (RM)	Bank Rate of return % p.a
Saving accounts	311,000,000	2,747,392.19	0.74	2,033,070.22	7.84	0.26	714,321.97	2.76
Unrestricted investment accounts								
1 month	72,000,000	636,052.21	0.70	445,236.55	7.42	0.30	190,815.66	3.18
3 months	124,000,000	1,095,423.25	0.71	777,750.49	7.53	0.29	317,672.76	3.07
6 months	90,000,000	795,065.26	0.72	572,446.99	7.63	0.28	222,618.27	2.97
9 months	9,500,000	83,923.56	0.73	61,264.20	7.74	0.27	22,659.36	2.86
12 months	230,000,000	2,031,833.45	0.74	1,503,556.75	7.84	0.26	528,276.70	2.76
15 months	15,000,000	132,510.88	0.75	99,383.16	7.95	0.25	33,127.72	2.65
18 months	5,000,000	44,170.29	0.76	33,569.42	8.06	0.24	10,600.87	2.54
24 months	12,000,000	106,008.70	0.77	81,626.70	8.16	0.23	24,382.00	2.44
36 months	3,000,000	26,502.18	0.78	20,671.70	8.27	0.22	5,830.48	2.33
48 months	350,000	3,091.92	0.79	2,442.62	8.37	0.21	649.30	2.23
60 months	36,000,000	318,026.11	0.80	254,420.89	8.48	0.20	63,605.22	2.12
Total	**907,850,000**	**8,020,000.00**		5,885,439.69			2,134,560.31	

ability.

Conclusion

Mudharabah is a contract where a skilled person may utilize his skill with the capital of investors in order to realize a profit. It has been practiced from the earliest period of Islamic history. The entrepreneur (mudharib) had the necessary freedom to conduct the mudharabah in order to realise profit. The general concept of mudharabah is that, it is a form of venture capitalfinancing or provision of credit for those who lack funds but have the skill to conduct trade for an uncertain return that may or may not be realized. In fiqh, it appears that the mudharabah is utilized in a venture whose outcome is uncertain, that is, in the sense of a real business venture. The partner is given the real freedom to act in pursuit of profit. A partner is regarded as a trustworthy person and no guarantee is permitted to be insisted by another party in the mudharabah.

The modern views on accounting information system, as suggested by Johnson and Kaplan (1987) state that the origin of modern management accounting can be traced to the emergence of managed hierarchical enterprises in the early nineteenth century. The double entry book keeping system recorded money owing and owed but did not act as an aid to decision making and control. The emergence of Islamic financial institutions has created for a new demand for accounting information. In particular, information is required to determine the cost of funds and also measure the returns on depositors and investors (Mohd Nasir bin Mohd Yatim, 2001). Based on this study, it is promulgated that in order to uphold the convention of uniformity in financial reporting of Islamic financial institutions (Mohd Nasir bin Mohd Yatim, 2004), the ideally practical model has to be adopted by all financial institutions operating shari'ah-compliant businesses. For this reason the gross profit sharing (GPS) information system with variation of pre-agreed sharing ratios for all categories of fund providers model as depicted in Appendix 3 is propose solution leading for upholding the principle of comparability and uniformity.

The rationale for this suggestion includes conformance to the requirement of the tenets of concepts use in the mobilisation of funds of Islamic financial institutions, absent of specific element or factor such as weight age introduced in discriminating the value of currency for all categories of funds and it motivate in encouraging deposits and investments within the variation of profit sharing ratio according to tenors of investment, which conform to the shari'ah. Further, the shari'ah-compliant variables introduced in this GPS system can enhance the upholding of principle of fairness to mankind. Uniformity in the adopted AIS will give impact in term of fostering

transparency, robustness, operational efficiency, consistency in transactions and realistic comparability in the measurement of financial performance of the business.

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