CHAPTER II

THEORETICAL FRAMEWORK

A. Internal Control

1. Definition of Internal Control

There are many definitions as explored by several practitioners of accounting that promoting the means of internal control as commonly applicable to a company including ones as enhanced by the institution of accounting. The ideas may depend on the point of view they need to strengthen about the important gist of the control to direct activity of daily operation. Such a definition can be viewed from the technical aspect, or even from the principle aspect of control. From the technical aspect, the definition may emphasize what and how well the control should be set by a company.

While viewed from broad sense of control as established within the company, "internal control can be defined as an effort of an organization to safeguard the company assets and to utilize effectively the assets to achieve a profitable result of operation and to report fairly the records" (Sasono, 2006:37). There are three foundations of internal control pointed out by the definition that consisting of safeguarding the assets, using the assets, and reporting the records.

The other definition published by the Committee of Auditing Procedure in Gillespie (1982:188), is:

> Internal control comprises the plan of organization and all of the coordinate methods and measures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.

Whereas in Accounting Principles Book of Fess and Warren (1993:251), “internal control can be defined as the detailed policies and procedures used by an enterprise to direct operations and provide reasonable assurance that the enterprise objectives are achieved”.

Another boundaries of Internal control based on Marshall and Stainbart (2000:253), “is the plan of organization and the method a business uses to safeguard assets, provide accurate, and reliable information promote and improve operational efficiency and encourage adherence to prescribed managerial policies”.

2. The Objectives of Internal Control

According to Horngren (1999:269) based on the objectives, internal control system divided into two kinds, as follows:

a. Administrative Control, include the plan of organization, the method and the procedures that help managers achieve operational efficiency and adherence to company policies. Moreover, administrative controls help eliminate waste.
b. Accounting Control, include the method and the procedures that safeguard assets, authorized transactions, and ensure the accuracy of the financial records. Of this element, safeguarding assets is the most important.

The purpose of internal control systems by Fees and Warren (1993: 183):

1. maintain the organization of wealth
2. check the accuracy and reliability of accounting data
3. encourage efficiency

4. encourage compliance with management policies

3. Characteristic of an Effective System of Internal Control

According to Horngren (1999:270-273) mentioned that the prime characteristics of internal control are:

a. Competance and Reliable Personnel. Employees should be competent and reliable. Paying top salaries to attract top quality employees, training them to do their job well, and supervising their work all help to build a competent staff. A business adds flexibility to its staffing by rotating employees through various jobs. If one employee is sick, or on vacation, a second employee is already trained to step in and do the job. Rotation employees through various jobs also promote reliability.
b. Assignment of Responsibility. In A business with an effective internal control system, no important duty is overlooked. A model of such assignment of responsibilities appears in the corporate organizational chart. In sum, all duties must be clearly defined and assigned to individuals who bear responsibility for carrying them out.
c. Proper Authorization. An organization generally has a written set of rules that outlines approved procedures. Any deviation from standard policy requires proper authorization.
d. Separation of Duties. Smart management divides the responsibilities for transactions between two or more people or departments. Separation of duties limits the chances for fraud and also promotes the accuracy of the accounting records. This crucial component of the internal control system, may be subdivided into four parts, namely are :
    1.) Separation of operations from accounting
    2.) Separation of the custody of assets from accounting.
    3.) Separation of the authorization of transactions from the custody of related assets.
    4.) Separation of duties within the accounting functions.

According to the bulletin *Accounting Control* in Gillespie (1982:189), the characteristic of a satisfactory system of internal control would include:

a) A plan of organization which provides appropriate segregation of functional responsibilities

b) System of authorization and record procedures adequate to provide reasonable control aver assets, liabilities, revenues, and expenses
c) Sound Practices to be followed in the performance of duties and functions of each of the organizational department
d) A degree of quality of personnel commensurate with responsibilities.

From the explanation above, can be concluded that the elements of internal control is used to create the company in accordance with the objectives, including: organizational structure, authority systems and procedures, there is a healthy practice in carrying out its duties and functions as well as the employees who have a good quality.

4. Internal Control Structure

Based on Romney and Stainbart (2000:254), Internal control Structure is the policy and procedures established to provide a reasonable level of assurance that the organization's specific objectives will be achieved.

An Internal Control Structure consists of :

a. Accounting System
Accounting system is a system that aid management in planning and controlling operations. Accounting systems provide information that management report to owners, creditors, and other interested parties.
b. Control Environment
An enterprise's control environment is the overall attitude of management and employees about the important of controls.
c. Control Procedure
Control procedures are those policies and procedures that management has established to provide reasonable assurance that enterprise goals will be achieved.
Control procedures that can be integrated throughout the accounting system are:
1) Competent Personnel, Rotation of Duties and Mandatory Vacations.
2) Assignment of Responsibility
3) Separation of Responsibility For Related Operations

4) Separations of Accounting, Custody Assets, and Operations. (Fees and Warren, 1993:230-233).

5. Internal Control Principles

The state control may become principles of operation of the company that leading the management to comply the intended direction of operation. These principles should lead real implementation of the concept in controlling over behavior of personnel in carrying out its important gist.

According to Sasono (2006:39), there are some indicators to consider reflecting the state principles of operation consisting:

a. Chart of organization.
   Such a figure may reflect the means of an organization to perform daily operation through organizing human resources of the company. It may facilitate principle of organization that allowing separation between owners of the company and management, and separation between the organizational functions.
b. Functional independency.
   Objective of the company should be attainable as carried out differently each employee according to the job description of each function of which each function should work independently.
c. System of Authorization
   Formal authorizations on each transaction of the company should be achievable as well. There are three types of authorization comprising authorization of transaction, authorization of payment, and authorization of issuing checks.
d. Access to assets
   The Existing assets should be safeguarded safely from loss, such as securities of the company should be kept in custody of Treasure of the company. This type of assets should be accessible allowing any independent party to check its existence individually as recorded. It is applicable also to the other assets including ones as kept in distance offices, such as branch offices.
e. Compliance to norms
   Each employee of the company should commit themselves complying the norms of either externally or internally. Externally, it is applicable to effort of employees to avoid the attitude of breaking the law and private law. Internally, the employees should not break the

existing principle of operation as firmly established through system or procedures.

6. Internal Control Device and Method

The control device should be workable effectively during the operation to make sure the achievement of company's objective as previously set. Based on Sasono (2006:40), there are three types of control device commonly established within the company in support the objective of internal control that consists of:

a. Budgetary control
It may stand for the means of company to direct the organizational function to operate in limited range based on related budget only but intended to achieve the best performance. The budget should be one of the controllable types, not of an expendable model.
b. Operating reports
Mostly, the existing reports are of the accounting, or financial type, reflecting fair presentation of the report item.
c. Internal audit function
The establishment of internal audit function may strengthen the degree of internal control established in the company. This function is independent from operation of which this audit function has no authority over daily operation of the company, or this operation has no authority over the internal audit function.

Another argument stated that control devices and methods may be classified as:

General:

a. The formal Classification of accounts, with description of debits and credits to each account. One purpose of the formal classification from a control standpoint is t guard against clerk's charging or crediting those transaction that appear to be borderline transactions to one account at one time and to another account at another time.
b. Organization charts and procedures manual showing who is responsible for organizing and approving various kinds of accounting documents, how the forms are written, and how the various subsequent operations involving the forms are to be done.

Device adding in the control of the original recording of transactions:

a. The original forms themselves are one of the primary devices for getting the proper information at the source of the transaction, and getting it set down in the best arrangement for the operation to follow. (For this reason, the design of the forms required for a control must be considered carefully, whether or not they are to be used in connection with registers or other control devices). In this connection, note that the serial numbering for forms by the printer is a method of making it possible to determine that all the copies that should have come to a given operation have actually reached that operation.
b. Autographic registers (See on Chapter 10) are devices used for containing continuous forms in position for writing the original record of a transaction. Multiple forms are used and the register for handling multiple forms are so designed that an audit copy is retired in the machine for withdrawal by the auditor.
c. Cash register (see on Chapter 10) are devices used for getting a record of cash receipts and (in some machine) cash paid out.
d. Time stamps and time recorders which are used for getting a record of employee's time for payroll and cost purpose.
e. Recording scales, which are used to imprint on an original document the weight (or other measure) of the good handled.
f. Perforators, similar to those used for canceling checks, to cancel all the documents which support a disbursement voucher to prevent them being used a second time for fraudulent payment.
g. Devices aiding in the control of posting and summarizing: proof list and proof totals, bookkeeping machine proofs (See on Chapter 7), control account, and trial balanced (Gillespie, 1982:192-193).

7. Internal Control Limitation

Internal control may represent a concept established internally within the operation as effort to control over transactions of the business. It has to be one having strong connotation in its implementation allowing the effective result as intended based on the objective of control, i.e. the accounting control and administrative control. However, for some reasons such as principles, may not always followed by satisfaction as the result for its implementation.

There are three factors generating such as dissatisfaction, Sasono (2006:40):

a. Human Error.

This error may either intentionally or unintentionally occurs in the company that may reject the means of control either accounting or administrative

b. Cost of the control

   Access on the assets is one of the controls. Yet, it may cost of a great deal of expenses mainly in its implementation on far distance offices (branch offices)

c. Agent of change

   It is either of man power, equipment, or method, that may alter significantly the existing control established in system or web procedures.

A system was created to provide oversight of the operations of an organization could not conclusively eliminate the deceitfulness of the existing, but can only suppress or reduce the occurrence of such fraud. From the description above, it can be concluded that to achieve a good internal control is in the implementation of internal controls necessary to a good evaluation. With the evaluation, weaknesses in internal controls could be reduced to a minimum.

B. Evaluation

The understanding of evaluation may vary depending on the science field. According to Wheelen and Hunger (2008:17), "evaluation is a process in which corporate activities and performance result are monitored so that actual performance can be compared with desired performance. Managers in all level use the resulting information to take the corrective action and resolve problem".

The definition of evaluation based on Cross (1973:5) "is a process which determiners the extent to which objectives have been achieved". Whereas, evaluation based on Good (1973:20) requires that "sufficient data be collected in order to conduct the analysis" Good explains that "evaluation is a process of making an assessment1 of a person and system".

> Evaluation can be considered as a systematic process that gather information about and measures the results of programs policies and organization. Evaluation also contributes to the public's understanding of what it is organization does and informs the development of both new and existing programs and procedures (Watson, 2002:147).

From all definition above, might be concluded that evaluation is an application of scientific procedure, which is systematic to assess the program or plan, then presents information in the context of decision making to the implementation and effectiveness of a program.

C. Financing Based on Sharia Principles

1. Definition of Financing Based on Sharia Principles

Kasmir (2000:73) explain that "financing is the provision of money or bills that can be equated with it, based on the agreements between the bank and another party that requires parties that paid by the bank to pay back the money or the charge after a certain period in return of profit sharing".

Forms of financing services based on Islamic principles are the implementation of the Islamic economic system is Muamalat principles based on the Sharia. Based on Act of The Republic Indonesia Number 21, 2008 Chapter I, Article I (verse 25):

1 Assessment = is a process by which as many data as possible are gather and used to evaluate a person more accurately. C.V Good, *Dictionary of Education* (New York: Mc.Graw-Hill Companies, 1973), p. 20

> Financing based on Sharia Principles is the providing of funds or collection compatible to it in the form of: production sharing transaction in the form of *mudharabah* and *musyarakah*; lease transaction in the form of *Ijarah* or lease purchase in the form of *Ijarah muntahiya bittamlik*; sales and purchase transaction in the form of outstanding *murabahah, salam* and *istishna'*; lending transaction in the form of outstanding *qardh*; and lease service transaction in the form of *ijarah* for multiple services transaction.

According to the Statement of Financial Accounting Standards No.31 (2002:5), financing terms can be defined as follows:

> Financing is the lending of money or bills that can be equalized with that on the basis of acceptance or borrowing between banks and other parties that requires the borrower to repay the debt after a certain period with the amount of interest, remuneration or profit sharing.

According to the some opinions above, it can be concluded that the terms of the financing based on Islamic principles are based on money supply agreement between the banks and other parties in accordance with the repayment period and the distribution of profit sharing previously agreed upon in accordance with Islamic System.

2. Sharia Financing Principles

According to Qaoud and Lewis, the principles of Islamic financing are:

a) No financial transactions based on interest (*riba*).

b) Introduction of religious taxes, or giving alms (*Sedekah*).

c) Violation of production of goods and services those are contrary to the Islamic value system (*haram*).

d) Avoidance of economic activities involving *maysir* (gambling) and *gharar* (uncertainty).

e) Provision of *takaful* (Islamic insurance).

3. Types of Sharia Financing

Financing is one of the bank's main tasks, namely providing facilities for provision of funds to meet the needs of the parties who are deficit units.

According to the nature of its use, financing can be divided into:

a. Productive financing, which is funding for production needs in a broad sense, namely to increase the business, whether production, trade, and investment
b. Consumer financing, the financing used to meet consumption needs, which will be used up to meet the needs.

Meanwhile, according to the needs, financing productive can be divided into:

a. Working Capital Financing is to meet the financing needs in: (1) increased production, both quantitatively, the amount of production, as well as qualitatively, namely improving the quality or production quality and (2) for trading purposes or increase the utility of place of an item.
b. Investment financing is to meet the needs of capital goods as well as facilities that were closely related to.

4. Financing Analysis

To specify how risk can be controlled, the bank might classify an acceptable loan/financing in 5 C's as follows:

a. Character
   Refers to the borrower's honesty and trustworthiness. An analysis the integrity and subsequent intent to repay.
b. Capital
   Refers to the borrower's wealth position measured by financial soundness of the firm or individual withstand any deterioration in its financial position.
c. Capacity
   Involves both the borrower's legal standing and management expertise, so the firm or individual can repay its debt or obligation
d. Condition
   Refers to the economic environment or industry-specific supply. Factors influencing a firm's operations.

e. Collateral
Is the lender's secondary sources of repayment or security in the case that the bank can seize and liquidate when the borrower default.

Golden and Walker (1998:27) further identifies the 5 C's of bad debt representing things to prevent problems:

a. Complacency
Refers to the tendency to assume that because things were goods in the past will be good in the future.
b. Carelessness
Involves poor underwriting typically evidenced bi inadequate loan documentation, a lack of current financial information or other pertinent information in the credit files and a lack of protective covenants in the loan agreement.
c. Communication
Ineffectiveness refers to when a bank's credit objectives and policies are not clearly communicated. Management must effectively communicate and enforce loan policies and loan officers should make management aware of specific problems with existing loan as soon as they appear.
d. Contingencies
Refer to lender's tendency to pay down or ignore circumstance in which a loan might default. The focus in on trying to make a deal work rather than identifying downside risk.
e. Competition
Involves following competitor's behavior rather than maintaining the bank's own credit standard.

D. Bailout

1. Definition of Bailout

Based on Webster Dictionary (1990:995), "Bailout is the Intermediary in buying and selling, while the cover is to lend money to pay for something or buy goods by paying later". Meanwhile, according to Abdurrahman (1982:75-76), "bailout similar to bail, someone who receives another person's property under a bailment contract, and was responsible for the contract, to maintain the property and return it in good condition when the contract was executed".

Understanding of bailouts according to Abdurrahman (1982:606-607):

> can means as "lend" in terminology that is, giving something valuable to others, for a certain period or indefinite, without giving or release his right property, and still have a right to ask again of the original item or the equivalent with that. People who lend money or goods that can be sold / bought, hoping to get back the equivalent amount of money.

The term bailout is almost the same as *kafalah* (ward) where the similarity is the same as the donor to the customers represented by the bank to the institution that designated by the customers. After reading the bailout terms above, it can be concluded that the bailout is to give property to someone else (the customer) as a means to pay for something that takes the customer as the most urgent needs in which customers can not withdraw their funds because of the shape of deposits.

2. *Qardh*

Moslems are usually use additional contract (covenant) as Islamic law to facilitate the financing. In this case, most of the contract that used in pilgrimage bailout financing is *Qardh* covenant. According to Nazir and Hasanuddin (2004:480), *Qardh* is a savings. Meanwhile, according to Sabiq (1987:139), *Al-Qard* derived from the word for *Al-qit'u*, means of the branch or piece of. *Qardh* according to Zuhaili (1999:2) is property which has proportionality that is given to be billed again. In other words, a transaction that is intended to give property that has proportionality to others to return commensurate with it.

The word *Qardh* was later adopted became *Credo* (Roman), credit (English) and *kredit* (Indonesia). Object of *Qardh* are usually money or any other medium of exchange, which is a pure loan transaction without interest when the borrower get cash from the owner of the funds (in this case is the Bank) and it's only obligated to return the principal debt at a particular time will be the future.

While certain scholars (*Ulama*) allow lenders to charge loan procurement services. This service costs is not an advantage, but the actual costs incurred by the lender, such as building rent, staff salaries and office equipment.

According to Zuhaili (1999:7), the terms *Qardh* is a treasure given by a person (*Muqridh*) to the needy/someone who need money (*Muqtaridh*), which then the borrower will be able to restore it after. Meanwhile, the Maliki, Shafii, and Hanbali opinion, it is allowed to do *Qardh* of all property that could be sold/bought, whether it is measuring or weighed, such as gold, silver and food or the value of the property, such as commodities, animals and etc.

Ownership rights in *Qardh* according to Zuhaili (1999:7), if a person owes mud wheat and *qabdh* already happened, so he has the right to use and return with a similar request, even though *muqridh* ask his own wheat, because wheat is no longer owned by *muqridh*. Which are the responsibility of wheat *muqtaridh* is similar and not the wheat that have been owed, even though it lasted *qardh* going.

According to Syahdeini (1999:75), *Qardh* Agreement is a loan agreement. In *Qard*h agreement, the lender (creditors) make loans to other parties to the provisions of the loan recipient will repay their loans at the time that has been agreed with the same amount when the loan was granted. Otherwise, Anshori (2007:100), explain that *Qardh* including financing products provided by banks, with bank regulations may not take any profit from it and was given only during emergency conditions. Limited bank can only collect fees from the customer's administration. Customers only are obligated to pay anyway.

3. Qardh Platform

a**.** Al-Quran: *Qs Al-Hadid* Verse 11

مَنْ ذَا الَّذِي يُقْرِضُ اللَّهَ قَرْضًا حَسَنًا فَيُضَاعِفَهُ لَهُ وَلَهُ أَجْرٌ كَرِيمٌ

It means "*Who will lend to Allah a good loan, then Allah will double (return) the loan for him, and he will get the reward that much*". (QS: Al-Hadid verse 11)

The verse above describes the nature of *infak* which is done for Allah SWT. Shihab (2001:22), illustrate that who's like giving a good loan, God would pay in multiples. God said to excite *infak* that: Who will lend to Allah a good loan that is spent outright even though some property that was in the grip of his hand, and in return God will multiply and return payment to the proliferation of lots to seven hundred times even more, for his Hereafter, and also could be in this world, and for him beside doubling, the glorious reward of fun and satisfying.

b. Hadith narrated by Ibnu Majah

عَنِ ابنِ مَسعُودٍ أنَّ النَّبِي صلى الله عَلَيهِ وَسَلَمَ قالَ مَامِنْ مُسلِمٍ يُقْرِضُ مُسْلِمًا قَرْضًا مَرَّتَيْنِ
لَ قتِهَامَرّ ةًإِلا كَانَ كَصَ

Ibnu Mas'ud narrated that the Prophet SAW said: "*It's not a Muslim, (those) who lend Muslim (other) two times unless the other is (worth alms)*". (HR.Ibnu Majah: 132).

The purpose of the *hadith above* is, in lending money should be sincere unconditional without any addition to the basic covenant of refund due to the additional request is not justified because it is usury.

يْ عَلَى بَابِ قَالَ رَسُوْ لُ اللهِ صَلَىّ اللهُ عَلَيْهِ وَسَلَمَ رَ أ يْتُ لَيْلَةً أسْرِيَ بِ:عَنْ أنسِى بْنِ مَلِكٍ قَالَ
الْجَنَّةِ مَكْتُوْ بًاالصَّدَقَةُ بِعَشْرِ أمْثَا لِهَاوَ الْقَرْضُا بِثمَانِيَةَ عَشَرَ فَقُلْتُ يَا جِبْرِيْلُ مَابَالُ الْقُرْضُ أَفْضَلُ
ةٍمِنَ الصّدَقَةِ قَالَ لأَ نَّ السَّائِلُ يَسْأَلُ وَعِنْدَهُ وَالْمُسْتَقْرِضُ إِلاَّ مِنْ حَاجَ

Anas bin Malik said that Prophet Muhammad said: "*I see at night in Isra'kan, at the door of heaven written: Charity rewarded tenfold and Qardh eighteen times, I ask, O Gabriel, why Qardh greater than charity, he replied, because the beggar something and he had, while the borrowing would not borrow except for the purpose* ". (HR.Ibnu Majah:132).

The purpose of the *hadith* above is, *Qardh* greater reward than the usual alms, because *qardh* is a loan for someone who is urgently need to borrow the money.

E. Pilgrimage (Hajj)

1. Definition of Hajj

According to Halim (2002:84), “Hajj is personal worship, service to God Almighty that is done by visiting the House (*Ka'bah*) at a certain time and with certain conditions”.

Additional explanation from Karim (2005:95), "Hajj is an annual reunion of Muslims, which one should attend at least once in one's life if they have the financial resources. It goes back to the pilgrimage to Mecca during the last (12th) month of the Islamic calendar".

2. Hajj Platform

a. Al-Qur'an

ٱسْتَطَاعَ مَنِ ٱلْبَيْتِ حِجُّ ٱلنَّاسِ عَلَى وَلِلَّهِ ءَامِنًا كَانَ دَخَلَهُ وَمَن إِبْرَٰهِيمَ مَّقَامُ بَيِّنَٰتٌ ءَايَٰتٌ فِيهِ
ٱلْعَٰلَمِينَ عَنِ غَنِىٌّ ٱللَّهَ فَإِنَّ كَفَرَ وَمَن سَبِيلًا إِلَيْهِ

"*In it are Signs Manifest; (for example), the Station of Abraham; whoever enters it attains security; Pilgrimage there to is a duty men owe to Allah,- those who can afford the journey; but if any deny faith, Allah stands not in need of any of His creatures*.." (QS. Ali Imran: 97)

عَمِيقٍ فَجٍّ كُلِّ مِن يَأْتِينَ ضَامِرٍ كُلِّ وَعَلَىٰ رِجَالًا يَأْتُوكَ بِٱلْحَجِّ ٱلنَّاسِ فِى وَأَذِّن

"*And proclaim the Pilgrimage among men: they will come to thee on foot and (mounted) on every kind of camel, lean on account of journeys through deep and distant mountain highways*" (QS. Al Hajj: 27)

b. Hadith

"Whoever perform Hajj in this house (House of Al Haram), not rafats 2) and do not wicked, then he returned as the day his mother was born." (Narrated by HR. Bukhari)

"I am sanity the body of my servants and I expand his livelihood and do not pass the five-year pilgrimage to the house then he will lose (my gift)." (Narrated by HR. Al-Bayhaqi)

"*The best Jihad is a mabrur pilgrimage.*" (Narrated by HR. Bukhari)

"He who has the provisions and vehicle (travel expenses) that can deliver it to Baitillail haram and not perform (religious) pilgrim, then

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2 Rafats : a speech that raise a desire to stimulate sexsual activity.

why not for him died as a Jew or a Christian." (Narrated by HR. Tirmidhi and Ahmad)

بَيْتِهِ أَهْلِ مِنْ :قالَ أَوْ- بَيْتٍ أَهْلِ نَةِمِ أَرْبَع فِي يَشْفَعُ الْحَاجُّ

"People who hajj will benefit 400 people of ahlu bait or the Prophet said: 400 people from his ahlu bait " (Narrated by HR. Dhaif)

بِذلِكَ لَهُ اللهُ غفرَ نَصَبٌ أَوْ تَعْبٌ سَفرهِ فِي هُأصابَ فَإنْ وَمُدْبرًا، مُقْبلاً اللهِ ضَمَانِ فِي الْحَاجُّ
شَهِيْد أَجْرُ مَطرٍ مِنْ تُصِيْبُهُ قطرَةٍ وَبِكُلِّ دَرَجَةٍ، أَلفَ يَرْفَعُهُ قدَمٍ بِكُلِّ لهُ وَكَانَ سَيِّئَاتِهِ،

"People who were in hajj become a burden / assurance of God when he comes and home. When he was stricken with distress or pain on the way, God will forgive his mistakes. And each foot that he stepped it up, he gets a thousand degrees. And every drop of rain that he got, he will get a reward as a reward of martyrs' people." (Narrated by HR. Dhaif).

c. Act Number 21 of 2008 about Sharia Banking Changes by Act Number 10 of 1998 about Banking.

Based on Act of Sharia Banking Chapter III, article 5 verse 1 explain that any party intending to conduct Sharia (Islamic) Bank Business or UUS (*Unit Usaha Strategis*) must prior to it obtain a business license as a Sharia Bank from Bank Indonesia. Based on Article 19 of Chapter IV law, business activities that can be done by applying the principle of Sharia by a bank in Indonesia are:

1) Sharia Commercial Bank business include:
   a. Mobilize funds in the form of deposits such as Demand Deposit, saving, or other compatible forms based on Akad *wadi'ah* or other akads which are not contradictory to the sharia principles.
   b. Mobilize funds in the forms of investment such as deposits, saving, or other compatible forms based on akad *mudharabah*.
   c. Distribute the production sharing financing based on the akad *murabahah*, akad *salam*, and akad *istishna'*
   d. Distribute financing based on the akad *murabahah*, akad *salam*, and akad *istishna'*

e. Distribute financing based on the akad *qardh*.
f. Distribute financing of leasing moveable or immoveable goods to customers based on the akad *ijarah* and or lease purchase in the form of *ijarah muntahiya bittamlik*
g. Conduct loan/debt take over based on akad *hawalah*
h. Debit card business and/or financing card based on sharia principles
i. Purchase, sell or secure on own risk securities of third parties issued based on obvious transaction based on sharia principles.
j. Purchase securities based on sharia principles issued by the government and/or bank Indonesia
k. Accept payment from call on securities and conduct negotiation which third parties or inter parties based on sharia principles
l. Conduct custody for the interest of other parties based on sharia principles
m. Provide safety boxes to store goods and securities based on sharia principles
n. Transfer money, both for own interest and interest for customers based on sharia principles
o. Function of trustee based on akad *wakalah*
p. Provide Letter of Credit (L/C) facilities and bank guarantee based on sharia principles
q. Conduct other activities usually executed in banking and social file as long as it is not contradictive to the sharia principles and according to prevailing laws and regulations

2) UUS (*Unit Usaha Strategis*) business include:
a. Mobilize funds in the form of deposit such as demand deposit, saving, or other compatible forms based on akad *wadi'ah*
b. Mobilize funds in the form of investment such as deposit, saving, or other compatible form based on akad *mudharabah*
c. Distribute the production sharing financing based on akad *mudharabah*, and akad *musyarakah*
d. Distribute financing based on akad *murabahah*, akad *salam*, and akad *istishna'*
e. Distribute financing based on akad *qardh*
f. Distribute financing of leasing moveable or immoveable goods to customers based on akad *ijarah* and/or lease purchase in the form of *ijarah muntahiya bittamlik*
g. Conduct loan/debt take over based on akah *hawalah*
h. Debit card business and /or financing card based on sharia principles
i. Purchase, sell or secure, on own risk securities of third parties issued based on obvious transaction based on sharia transaction.
j. Purchase securities based on sharia principles issued by the government and/or Bank Indonesia

k. Accept payment from calls on securities and conduct negotiation which third parties or inter parties based on sharia principles
l. Conduct custody for the interest of other parties based on sharia principles
m. Provide safety boxes to store goods and securities based on sharia principles.
n. Transfer money, both for own interest and interest of customers based on sharia principles
o. Function of trustee based on akad *wakalah*
p. Provide Letter of Credit (L/C) facilities and bank guarantee based on sharia principles
q. Conduct other activities usually executed in banking and social file as long as it is not contradictive to the sharia principles and according to prevailing laws and regulations.

3. Pillars of Hajj and Legal Terms

Halim (2002:386), said that Pillars of Hajj are a series of worship that must be implemented in the Hajj. Pillars of Hajj must be performed sequentially and thoroughly, if one left then the Hajj is invalid and although worship of Hajj null, the person must complete the pillars remaining pilgrims and repeat the Hajj next year.

Pillars of Hajj are:
1. Ihram (Intention).
2. Standing at Arafat.
3. *Thawah Ifadhah*.
4. *Sa'i*
5. Had hair cut
6. Orderly.

Meanwhile, Haji legal requirements are as follows:
1. Islam.
2. *Akil Baligh* (Adult).
3. *Aqeel* (reasonable).
4. Sane
5. *Merdeka* (not slaves).
6. Able, both in terms of cost, health, safety and maintenance for the families left behind.

F. Pilgrimage Bailout Financing

1. Definition

According to annual report of Bank Syariah Mandiri (2008:27), "Pilgrimage bailout financing is a bailout loan from bank to particular customers to cover the lack of funds to get the seat / seat at the time of the pilgrimage and repayment of Pilgrim cost (BPIH)". Covenant (akad) used:

a. Covenant used is *Qardh Wal Ujroh*

b. *Qardh Wal Ujroh* is lending covenant from bank to customersby submission to the bank guarantee to keep the goods is delivered.

2. Requirements or Conditions

a. Having Mabrur Savings Accounts

b. Letter of Hajj Registration (SPPH/Surat Pendaftaran Pergi Haji) form which has been legalized by the local Kandepag.

G. Accounting System

1. Definition of System

Definition of system and procedures provided by the experts differed in scope. There is emphasis on aspects of management and problem solving, and there is also an emphasis on paperwork and information flows. According to Wilkinson (1991:3-4), "System is an integrated framework that has one or more objective. It coordinates the resources needed to convert input into output. Resources may range from material to machines to solar energy, depending on the type of system involved".

According to (Mulyadi, 2001:5) definition of the systems and procedures are:

System is a network procedure that established in integrated pattern to do the main activities of the company. The procedure is a sequence of clerical activity, usually involving several people within a department or more that is made to ensure the company's handling of similar transactions that occurred repeatedly.

Definition of systems and procedures according to Cole in Baridwan (2002:3) argues that:

> System is a framework of interrelated procedures which have been prepared in accordance with a comprehensive scheme to carry out an activity or a major function of the company. While the procedure is a clerical job sequences, usually involving several people in one or more structured to ensure a equal treatment of transactions which often occurs.

According to Moscove in Baridwan (2002:4) argues that: "The system is an entity, which consists of parts (called subsystems) that are interrelated with the aim to achieve certain goals"

From some of the definitions above, we can conclude that the system is an interrelated set of procedures to achieve certain objectives, while the procedure is a sequence of klerikel activities in one department or more with the intention to launch an operation carried out repeatedly. The clerical activity is an activity with the evaluation of something that has been implemented with emphasis on common interests

2. Definition of Accounting

Some definition of accounting according to Lapoliwo and Kuswandi (2000:2):

> Accounting is defined as the art of recording, classifying and summarizing in proper manner and in units of currency for

> transactions and events that at least some have a financial nature as well as interpreting the results from these records. In more technical, accounting is a set of procedures to record, classify, summarize, and report in the form of financial statements, transactions that have been held firm and eventually interpret the report.

While Wilkinson (1993:15) argues that:

> Accounting is the application of the general theory of information to problems of efficient economic operation. Accounting is also a big part of general information which is expressed in quantitative form, that is, accounting is part of a unitary system of public information operations and also part of a large area under the name of the concept of information.

Accounting role within a company is very important, especially in carrying out their activities effectively and efficiently. Accounting also provides relevant information required by both internal and external parties

From definition above, can be drawn of some basic things about accounting, namely:

a. Accounting is the basic activity.
b. Accounting activity is related to the recording, management, analysis and reporting information in financial units.

The information generated is used to make the decision to produce efficiency and effective management, and economic decisions are worthy of the various options available

3. Definition of Accounting System

The accounting system is a form of systems used by companies or other organizations in carrying out its activities. In this case can form a network documents, records and reports that exist in an organization to provide financial information for the parties concerned.

According to Fess and Warren (1999:178), " Accounting system is the methods and procedures for collecting, classifiying, summarizing and reporting a business financial, and opetaring information".

According to Stettler in Baridwan (2002:4), the definition of accounting systems are:

> Accounting systems are the forms, records, procedures and tools used for processing data associated with the business of an enterprise with the aim to generate feedback in the form of reports required by management to oversee its business and for the interest parties such as creditors, shareholders, and government agencies to assess the company's operating results.

While according to Mulyadi (2001:3), the understanding of accounting systems is an organization of forms, records and reports are coordinated in such a way as to provide financial information required by management to facilitate corporate management.

From the definition above, it can be concluded that an accounting system will consist of several factors, forms, records, procedures and tools that work together in an integrated in order to assist management in discharging its duties to achieve the goals determined.

4. Factors Considered In The Preparation Of The Accounting System

Usefulness of the preparation of the accounting system is one important thing in the company, because with the accounting system can provide clues to determine the cause of errors in a company. Besides, a preparation of the accounting system should also consider the cost incurred in these activities. So we can conclude that the preparation of the accounting system should be able to reduce the cost of which exist but can provide the required information quickly and timely

According to (Baridwan, 2002:7) the preparation of the accounting system needs to consider several important factors as follows:

a) The accounting system should be prepared quickly to meet the principle that the accounting system should be able to provide the necessary information on time, can meet the needs with the appropriate quality
b) The accounting system should be prepared to meet safety principles, which means that the accounting system should be able to help maintain the security of company property (assests). To be able to maintain the security of corporate property, then the accounting system should be prepared by considering the supervision principles of internal control.
c) The accounting system should meet the cheap principles, which means that the cost to run the accounting system must be suppressed so that relatively inexpensive, in other words, consideration of cost and benefit in providing an information.

From the description above, it can be concluded that the basic consideration in the preparation of the accounting system is the principle of fast, safe and cheap. The above three factors should be considered together at the time of preparing the company's accounting system so that not until there is one factor which abandoned..

5. The Objectives of Accounting System

Each activity within a company has a goal to be achieved and of course these objectives will provide benefits and additional value for the company

According to (Samsul and Mustofa, 1992:56) the purpose of accounting system is:

a) Convey information needed by all levels of management, owners or shareholders in an accurate and quick
b) Provide the information required by external parties: taxation, bank or creditor and the institutions of other agencies associated with the company.
c) Improving control through the organization, procedures and other ways to secure the company's property (assets)
d) Reduce administrative costs to the level lower than the value of the benefits.

From the description above, it can be concluded that the purpose of the accounting system is to provide information for management in order to facilitate the management.

6. Steps in the Formulation of Accounting Systems

The accounting system used in an enterprise has a limited life. The point is that the information in a company will develop in accordance with the development of the information needs of interested parties (either external or internal). In addition, technological advances, especially the tools to process data, can also cause the current accounting system is no longer efficient. In such circumstances there should be a rearrangement of the existing accounting systems in companies. Preparation steps in in compossing accounting system according to Baridwan (2002:9) consists of:

a. Analysis of the existing systems
   This step is meant to know the goodness and weakness of the prevailing system. In practice, analysis system done by conducting research (survey).
b. Planning an accounting system (system design)
   This step is the work of preparing the new system, or change the old system to the existing weaknesses could be reduced or eliminated.

Work plan for this new system can be done with two different approaches, namely Top Down and Bottom-Up Approach.

c. Implementation of accounting systems.
   These measures have been prepared applying the accounting system to replace the old system. This new system should begin at the beginning of the accounting period, this is done to reduce the workload arising from the changes that will affect the account balances and the use of new procedures in the middle period.
d. Supervision of the new system (*follow-up)*
   This step is to oversee the implementation of new systems, ie whether or not the new system can function. If there are errors, then during the period of supervision was necessary to do repairs. To note that this new system does not repeat the existing weaknesses in the old system

Description above shows that the steps in the preparation of the accounting system is an unbroken flow (system life cycle), so it must be done sequentially.

H. Form Arrangement

1. Definition of Form

Definition form according to Sartono (2008:2), "is a piece of paper that has a space to fill". Form that filled called as a document (evidence of transactions). Proof or evidence of transaction is used as the basis of records of business transactions within a business entity.

Form is a document used to record the transaction occurred. Form is often referred to as a document, because this forms, of events that occurred in the organization that recorded (documented) on a piece of paper. Form is sometimes referred to as the media, because the form is a means to record the events that took place in the organization into the record. With this form, the data concerned with the first recorded transaction as the basis for recording in the notes

2. Roles and Form Benefits

According to Gillespie (1982:1-2), the function of form and papers in business divided into 4 parts, consist of:

a. To determine the result of operations
This function involves: what in system work is known as distribution and the production of reports for the management
b. To keep track of assets and liabilities of the business
This function involves keeping accounts of various kinds, such as cash, accounts with customers, accounts with creditors, accounts for equipment, accounts with proprietors and so forth.
c. To get things done
d. To facilitate planning of business activities, follow-up of performance and adjustment of plans.

3. Form Design Principles

Based on Sartono (2008:7), the principles of designing form are consisting of:

a. Forms are kept simple, concise but complete
b. Avoid duplication in data collection (data back up)
c. Check the existence of internal elements
d. Utilization of copies in accordance with the objectives
e. The existence of the name and address of company
f. Mention the name of form (such as, invoice, shipping order, purchasing, etc.)
g. There is a serial number (identification number)
h. The size of the form must be clear
i. There are instructions of filling form.

4. Factors Should Be Considered In Designing Form

Based on Sartono (2008:8), the factors that should be considered in the designing form are consisting of:

a. Anyone who needs (double time)?
b. Is there another form or will be designed that part of the same contents? (reducing employment recurrent)
c. How to fill out the form prepared in accordance logical sequence? (easy fill)

d. The instrument used to fill out a form (the amount of space will be filled)
e. Will be stored in the archives? (paper quality and size).

5. Reasons of Form Usage

Reasons for the use of forms are to facilitate a flow, process and analysis of data by a compilation of data, minimize the recording time by eliminating the constant writing data to the activity. Compilation of data in a standard form will facilitate the writing, reading, and the checks. The use of constant information, identification of variable data allow for saving time in the writing of data such as by giving a check mark (√), circling the data, and so on. Control of the activities can be done by providing copies of the same form in different people, who conveyed the same person to be compared.

I. Sharia Bank

1. Sharia Bank Definition

The nature of sharia has been said in the holy *Al-Qur'an* as Islamic law, meaning mode and path to be followed. Shari' a, or Islamic law is the centerpiece and pillars of the religion of Islam. It is based on the *Qur'an*, which Muslims believe is the revealed book of God given to Muhammad and the *Sunnah*. Islamic law prescribes Muslim behavior in every aspect of life from private matters between the individual and God to relationships with others from the family or the widest community. The Shari' a contains categories and subjects of Islamic law called the branches of *fiqh* (literally, "understanding"). They include Islamic worship, Family relations, Inheritance, Commerce, Property law, Civil (tort) law, Criminal law, Administration, Taxation, Constitution, International Relations, War and Ethics, and other categories. (Journals: Irshad Abdal Haqq. 2002: Khalid Blankinship. 2002: N. J. Coulson. 1964: Vincent Cornell. 2002).3

Based on the Oxford Pocket Dictionary of Current English (2009:379),

> sharia/ sha·ri·a / shärēə/ (also sha·ri·ah or sha·ri·at / -ät/) is "n. Islamic canonical law based on the teachings of the Koran and the traditions of the Prophet (Hadith and Sunna), prescribing both religious and secular duties and sometimes retributive penalties for lawbreaking. It has generally been supplemented by legislation adapted to the conditions of the day, though the manner in which it should be applied in modern states is a subject of dispute between Islamic fundamentalists and modernists.

Sharia is the comprehensive Muslim law derived from two sources: (a) Holy Al-Qur'an4 (b) the Sunnah5. It covers every aspect of daily individual and collective living. The purpose of Islamic laws is to protect individual's basic human rights to include right to life, property, political and religious freedom and safeguarding the rights of women and minorities.

Islamic banks or here in after referred to as sharia banks are banks that operate by not relying on the interest. In other words, according to Muhammad (2005:13), "sharia banking is a financial institution operations and products developed based on the Holy Al-Qur'an and Hadiths of the Prophet SAW".

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3 Irshad Abdal Haqq. *Islamic Law: An Overview of Its Origin and Elements*, The Journal of Islamic Law and Culture, 7:1 (Spring/Summer 2002), p. 27-82 ; Khalid Blankinship, Politics*, Law and the Military in Douglass*, S.L. ed., Rise and Spread of Islam: 622-1500 CE. Farmington, MA: Gale, 2002. ; N. J. Coulson. *A History of Islamic Law*. Edinburgh: Edinburgh University Press, 1964 ; Vincent Cornell, *Religion and Philosophy*, Douglass, S.L. ed., Rise and Spread of Islam: 622-1500 CE. Farmington, MA: Gale, 2002.

4 *Qur'an* = the holy book of Islam, which Muslims believe is the revealed book of God

5 *Sunnah* = example or practice of Prophet Muhammad

Based on explanation above, might be conclude that Islamic banking refers to a system of banking or banking activity that is consistent with the principles of Islamic law (Sharia) and its practical application through the development of Islamic economics. Sharia prohibits the payment or acceptance of interest fees for the lending and accepting of money respectively, (*Riba*)6 for specific terms, as well as investing in businesses that provide goods or services considered contrary to its principles (Haraam, forbidden).

2. Sharia Bank Mechanism

Technically, the work mechanism of Islamic bank according to Muhammad (2000:25), are not much different from conventional banks, but according to the organizational structure of the Islamic banking system is the mechanism in each section are as follows:

a) With the decision of the AGM (Annual General Meeting of Shareholders) which, among other concerns Accountability Report Board of Directors and then the next Work Plan sharia banks can conduct policy steps and subsequent operation
b) Besides, the existence of the DPS Religious Fatwa (Sharia Supervisory Board), especially regarding products Islamic banks as well as the operationalization of policy steps that Islamic banks have legality. In fact DPS with this religious Fatwa that plays an important role in Islamic banking personnel assigned AGM although, because of the DPS Fatwa Religion is not merely "advice", but it is a very basic binding operations.
c) Later in the Islamic banking operations there are two kinds of supervision: internal oversight by the Board of Commissioners, DPS, and the Board of Directors. And Supervision by the Bank's external Indonesia.

6 *Riba* = *Ziyadah* (additional), on linguistic term, riba means growing. Took an additional cost from nominal capital. Abdullah Seed, *Islamic Banking and Interest: Study of the Prohibition of Riba and its Contemporary Interpretations* (Leiden: EJ Brill, 1996), p. 37

3. Products and Services of Sharia Bank

Basically, according to Karim (2005:97-112), the products that Islamic Banking offers can be divided into three major types as follows:

a. Financing
b. Funding; and,
c. Service provision.

a. Financing

1) Financing under the principles of sale and purchase (*Ba'i*)

The principles of sale and purchase are applied in connection with the occurrence of a transfer of ownership over property. The bank's profit margin is fixed and predetermined; it's an element of the price of property on sale. According the modes of payment and time of delivery of the goods, sale and purchase can be distinguished namely as follows:

a) *Murabahah* Financing
Murabahah financing is a sale and purchase transaction whereby the bank discloses its profit margin to the client.

b) *Salam* Financing
Salam is a sale and purchase transaction whereby the object or property of transaction is yet to exist.

c) *Istishna'* Financing
Istishna' products are similar to *salam* product except that under the latter, payments by the bank can be made in several installments.

2) Financing under the principles of leasing (*Ijarah*)

Ijarah transactions are based upon a transfer of benefit. Its principles are, in essence no different from those of sale and purchase. The only difference lies in the object of transaction.

While the objects in sale and purchase transaction are goods, the objects in *Ijarah* transactions are services.

3) Financing under the principles of revenue-sharing (*syirkah*)

This sharia financing product under the principles of profit sharing are as follows:

a) *Musyarakah* Financing
Musyarakah transactions are based upon it desire of contracting parties to jointly increase the values of the assets. *Musyarakah* encompases all forms of business undertaking whereby two or more parties combine resources, can be divided become tangible or intangible assets alike.
b) *Mudharabah* Financing
Mudharabah is a form of joint venture of two or more parties whereby the capital owner entrusts capital to the manager (*mudharib*) under a profit sharing agreement.

4) Financing under complementary contracts

To facilitate financing, usually one or more additional contracts are necessary.

a) *Hiwalah* (Transfer of Credit/Debit)
The purpose of *Hiwalah* facility is to help supplier obtain cash capital in order to carry on with productive activities.
b) *Rahn* (Collateral)
Rahn is a pawn; collateral; or the mortgaging of property or hypothecation of an asset or secure a debt or obligation. *Rahn* contract is to provide guarantee of repayment to the bank in providing financing. The object of *rahn* must satisfy the following criteria:
   - The object is the property of the client
   - The object is specific in size, characteristic, and value (based on the real market value).
   - The object can be taken over by bank although it must not be utilized by the bank.
c) Qardh
Qardh is simple money lending. It is usually applied for any of the four purposes as follows:
   - As a bridging loan for pilgrimage
   - As a cash advance from the sharia credit card

- As a small business loan
- As a credit loan to the bank's staff.

d) *Wakalah* (Representation)
Wakalah arises when a client authorizes the bank to represent hi or her carrying out a certain job, such as L/C book-balancing, bill collection, or money transfer.

e) *Kafalah* (Bank's Guarantee)
Bank's guarantee can be provided to secure payment over a certain payment obligation.

b. Funding

The funding products in Islamic banking can be in the form of demand deposits, savings, and time deposit.

1) The Principles of *Wadi'ah*
Customer deposit to be kept and restored at any time if the customer wants. Bank is responsible for the deposit refund.

2) The Principles of *Mudharabah*
agreement between the owners of capital clappers with entrepreneurs (fund managers) to seek profit.

a) *Mudharabah Mutlaqah* (URIA)
Is not bound Investment

b) *Mudharabah Muqayyadah* (RIA)
Is a bound investment

3) Complementary Contracts
Complementary contract is used to facilitate financing in funds collecting activities. One of the complementary contracts that can be used in funding is the *wakalah* contract.

c. Service Provision

1) *Sharf* (Foreign Exchange Trading)
The trading of foreign exchanges, in principle, complies with the principles of *sharf.7*)

2) *Ijarah* (Leasing)
The type of services under *ijarah* among others including the renting of save deposit box and custodian service for documentary administration.

4. The Objectives of Sharia Bank

According to Sudarsono (2003:40), Islamic banks have several purposes including as follows:

7 "*Sharf* "is purchase covenant fo a currency with another currency. Foreign exchange transactions on Sharia bank can only be done for the purpose of hedging and not allowed for the purpose of speculation.

a. Directing economic activity to the people for the Islamic Muamalat, especially Muamalat related to banking, to avoid usury practices or types of business / other trade *gharar* containing elements (deception).
b. To create a justice in the economic field by smoothing earnings through investment activities.
c. To improve the quality of life of people with a way to open opportunities to a larger, especially the poor.
d. To overcome the problem of poverty, which is generally the main Programs of the countries that are developing.
e. For maintaining economic stability and monetary policy.
f. To save the Muslims dependence on non-Islamic banks.

5. Sharia Bank Principles

According to Act of Sharia Banking Number 21 of 2008 Chapter I, Article I, verse 12, “Sharia Principle is the Islamic law principles in the banking business based on the fatwa issued by an institution having the authority in stipulating fatwa in Sharia matters”.

The Sharia principle is the rule of Islamic law based on agreement between the bank and other parties for storage of funds and / or financing activities or other activities in accordance with Sharia. Some of the principles / laws adopted from the Islamic banking system, among others:

a. Payment of loans with different value of the loan value with a predetermined value is not allowed.
b. Funders should contribute to share profits and losses as a result of institutional efforts that borrow funds
c. Islam does not allow to "making money from money". Money is only a medium of exchange and not a commodity that has no intrinsic value.
d. Element *gharar* (uncertainty, speculation) is not allowed. Both parties must know very well the results they would get from a transaction.
e. Investments should only be given to efforts that are not forbidden in Islam.