

Off-balance-Sheet Accounting in Rastin Participation Accounting

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Abstract

The conventional accounting principles followed by banks and non-banking financial institution (NBFI) are based on on-balance sheet items without considering the “belongness of the yeild to principal capital” rule and the length of participation period and are based on ownership or attorney-resources in debt-based assets. Though the association between assets and liabilities in attorney-deposits can never be cleared. In other words, these resources involved in the Islamic bank do not belong the bank's owned funds, so recording them on the balance sheet poses a gross problem in accounting operations.

At the same time, similar to the above-mentioned, the loans and credits paid by the bank are paid by other owners, so both of these items are not considered as part of the bank's assets. Instead, all these items are under obligations and trusts and should be included in the off-balance sheet. This issue is identified in contrast to the nature of intermediation activity that Participation financial institutions in the Islamic banking sector undertake.

On the other hand, Rastin Participation Accounting should be booked as off-balance sheet items and is based on the obligations of the financial institution towards depositors and receivers of financial resources in a way that is consistent with the nature of financial intermediation activity that is participation. The bank's fund is affected by the capital (capital tier 1) and includes the bank's surplus reserves. In contrast, the Rastin Banking fund, the off-balance sheet items and its cashflow are not part of the bank's reserves and they are just obligations and trusts.

This article describes how off-balance sheet items accounting operation is carried out as part of the Rastin Participation Accounting System.

Keywords: Rastin Participation Accounting, Rastin Profit and Loss Sharing, Financial Participation, Non-usuary Banking, Rastin Banking, Reserves

JEL: L86, L87, G21, G26

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Introduction

Despite the expansion of Islamic banking in recent decades, the implementation of Profit and Loss Sharing (PLS) is often contaminated with conventional usuary banking³ procedures due to the inadequacy of the platforms, including regulatory, supervisory and management mechanisms. The studies and reviews conducted by the economists of Islamic and non-Islamic countries on Profit and Loss Sharing banking are focused on the advantages and disadvantages of this model with emphasis on theoretical dimensions. The main reasons given for the non-realization and expansion of this type of banking are mainly based on infrastructural bottlenecks, increased operational risk, emphasis on the implementation of Islamic and ethical banking processes on the legacy of conventional banking accounting processes, and the newness of this type of banking model and the mentioned factors. They have considered it as a valid reason for the non-expansion of this type of banking. The results of theoretical and practical studies conducted on the banking model of participation in profit and loss indicate the advantages of this banking model and implementation methods for each questionable case.

The Rastin Banking system is a set of banking operations designed to realize the real Islamic banking, which, with the knowledge of these aspects, tried to comprehensively consider the processes, instructions, procedures, pillars, rules and organization of participation and design a comprehensive and unique solution.⁴ Rastin Profit and Loss Sharing banking is one of the main part of Rastin Banking System. On behalf of the depositor, bank provides all or part of the financial resources required for the entrepreneur's investment project, and pays the depositor's resources to the entrepreneur according to the written rules and through a contract, so that the entrepreneur can use the resources to implement his project and profit or loss from the implementation of the project are to be divided among the parties in proportion to the brought capital (deposit) and participation period of it (deposit) in the investment of entrepreneur. In Rastin Profit and Loss Sharing, the rate of return gained from the investing of depositors' resources is calculated with applying no fixed interest rate and based on the yeilds received from the productivity of the real sector of the economy.

The banking model of Rastin Profit and Loss Sharing, while removing the suspicion of usury, will make depositors benefit from the real sector of the economy rate of return, as well as providing favorable conditions for stability in the banks and NBFIs investment projects funds. Undoubtedly, the realization of this model will require a comprehensive review of all infrastructure sections of documents, including Rastin Banking's regulations and guidelines, information technology infrastructure, products and services, customer groups, financial instruments, risk management, administrative and organizational infrastructure, and accounting and financial systems and sub-systems.

In implementing Profit and Loss Sharing banking (PLS) accounting and financial systems, such things as profit calculation, profit share of partners and beneficiaries, separation of specific accounts of each products and linking them to their own partners with specific accounting, booking of accounting documents, contracts, howness of calculation fee received by the bank and determining the cash flows and commitment are among the important things that should be considered for the realization of PLS banking. The main features of the accounting and financial system of Rastin PLS banking in general can be seen in cases such as the ability to trace the financial resources of deposits in investment projects, to separate

³Juan Solé, Introducing Islamic Banks into Conventional Banking Systems, Monetary and Capital Markets Dept., IMF Working Paper, WP/07/175, International Monetary Fund, 2007. <http://www.imf.org/external/pubs/ft/wp/2007/wp07175.pdf>

⁴بیژن بیدآباد، بانکداری راستین، جلد اول: مباحث نظری. مؤسسه نوین پژوهان، ۱۳۹۴.

بیژن بیدآباد، بانکداری راستین، جلد دوم: مباحث کاربردی. مؤسسه نوین پژوهان، ۱۳۹۴.

بیژن بیدآباد، بانکداری راستین، جلد سوم: مباحث اجرایی. مؤسسه نوین پژوهان، ۱۳۹۴.

certain off-balance sheet items, the realization and clarification of accounts, the ability to value Rastin Certificates according to the amount and duration of the investment for both cash and non-cash brought capitals in form of innovation, increasing the capital adequacy of the bank compared to the conventional banking procedures, as well as the project management and supervision by the bank. The unique feature of managing resources and uses in this banking method is its dynamism and outside the bank monitoring.

The way of displaying the deposit account headings in the conventional bank's balance sheets is in such a way that in the debt section of the banks' balance sheet, all deposits are disclosed based on the due dates, while the loans based on the maturity of the contracts are not shown in the assets section; rather, the loans based on the maturity are disclosed in the balance sheet when⁵ certain times have passed since the maturity of the liability or official booked contracts according to the instructions of the Central Bank. Then they are placed in the categories of overdue, deferred, doubtful and uncollected claims (non-performing loans)⁶. As mentioned, this method is far from the definitions and principles of financial intermediation in Islamic banking⁷.

This article aims to examine the accounting and financial system of Rastin PLS banking, which is part of this banking procedure. Also, as a part of the solution package of the Rastin Profit and Loss Sharing (PLS) banking model, it deals specifically with the accounting and financial system, its processes how to calculate profit and settlement mechanisms with the main pillars including accounting documents. In this connection, it should be mentioned that the resources at the bank's disposal in Islamic banking are not the bank's ownership funds, and therefore, recording it on balance sheet items is considered a gross problem in accounting operations. Also, loans and credits paid by the bank are not considered as a part of the bank's assets. Rather, these items, i.e. deposits and loans are all under obligations and trusts and should be included in off-balance sheet part of the balance sheet.

Considering that the accounting method of participation (Mushareka) in this article is based on the banking operations of Rastin Participation⁸ Therefore, we use the terms defined in Rastin Banking. In

⁵ An Obligatory document is a document on the basis of which the obligor undertakes to fulfill an obligation (obligation) in front of the obligee. This obligation can be payment of money, payment of commodities and performance of action, etc.

⁶ For more information see the Central Bank's information system <http://www.cbi.ir/category/3719.aspx>

⁷ Bijan Bidabad. M. Allahyarifard. Rastin Musharakah Accounting. Office of Research and Planning, Bank Melli Iran. Tehran, 2013. <http://www.bidabad.ir/doc/rastin-mosharekat-accounting-fa.pdf>

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<http://www.bidabad.ir/doc/PLS-accounting-fa.pdf>

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<http://www.bidabad.ir/doc/rastin-partnership-accounting-II-en.pdf>

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Bijan Bidabad. Rastin Partnership Accounting: Part III: Instalment Financial Sharing (IFS). 2019, Tehran, Iran.

<http://www.bidabad.ir/doc/rastin-partnership-accounting-III-en.pdf>

⁸ Rastin Participation: Participation of depositors in the profits and losses of investment projects and economic activities based on the real rate of return of the project and in order to implement usury-free banking based on the principles of Islamic ethics.

Bank in Rastin Participation Banking: is a unit that allocates the depositor's deposit resources to the applicants of credit resources on behalf of the depositor according to specific contracts, the resulting profit or loss is divided between the depositor, bank and entrepreneur. Bank provides capital management services to the depositors and invests the depositors' resources in one of the Rastin Participation Banking products at their request, and in return submits a certificate of authenticity to the depositors in relation to the type of financing product used. As the depositor's lawyer, the bank is obliged to protect the depositor's rights and in this regard, it must use all its specialized facilities to protect his/her interest.

Rastin Participation Accounting operations the interest rate and the time value of capital is not used in the booking of accounting documents, operations, accounts, and financial analysis; and calculations are based on the amount and duration of participation without using the interest rate.

The details have already been discussed but here, due to the development of the subject, only the topics of booking items and accounting documents in Rastin Participation Accounting are discussed. The legal details of this method⁹ are available in the draft bill and the entrepreneur regulations of the Rastin Banking and corresponding books and documents.¹⁰

The accounting principles of Rastin Participation

The Rastin Participation Accounting principles in Rastin Banking operations are based on the following criteria:

- 1- The interest rate is not used in booking of accounting documents, operations, accounts and financial analyses.
- 2- Presenting or futureizing the value of assets by present or future values, which are done in conventional accounting and by using interest rates, is not used for calculating the time value of capital in Rastin Participation Accounting. In Rastin Participation Accounting, the basis for calculating the time value of capital is the amount and duration of participation.
- 3- "Time-based Capital" is defined as the product of the nominal value of the capital during the participation period of the same capital in the project.¹¹
- 4- The share of each capital owner in a participation is equal to the proportion of "Time-based Capital" of each person divided by the total "Time-based Capital" of all partners; This ratio is called "Time-based Participation".
- 5- The profit or loss in Rastin Participation Banking is distributed among the capital owners in proportion to their "Time-based Shareholding".
- 6- In Rastin Participation Accounting, it is necessary to equalize "Time-based Resources" and "Time-based Aallocations" for any project. "Time-based Resources" is equal to the sum of "Time-based Deposits" of all depositors. "Time-based Allocations" is equal to the total "Time-based Resources" of the funds paid to the entrepreneur. "Time-based Deposit" is obtained from the product of the nominal amount of the deposit during the participation period of the same deposit in the project. "Time-based Aallocation" is equal to the product of the nominal amount paid to the entrepreneur during the period in which the same amount is available to him/her.
- 7- The accounting documents of each project and related financial operations are recorded and kept in a separate account heading.
- 8- The profit or loss of each project belongs to the same project and will be booked under the accounting

⁹ بیژن بیدآباد، آذرنگ امیراستوار، سعید عبداللهی، محمود الهیاری فرد، اسکندر پردل، مریم حیدری، علیرضا شفیعی، محمدعلی پوربهرروز. لایحه:

<http://www.bidabad.ir/doc/rastin-banking-bill.pdf>. ۱۳۹۱. بانک ملی ایران، تهران.

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<http://www.bidabad.ir/doc/rastin-banking-regulation.pdf>

¹⁰ Documents of Rastin Participation Banking are accessible in the Rastin Banking section of the website <http://www.bidabad.ir>.

¹¹ Project: is a set of executive economic activities that are presented to the bank under a coherent specific project, in a limited time and with a certain quality, conditions and cost, with the intention of profiting for financing in form of Rastin Participation Banking.

title of the same project and its financial effects on the entrepreneur and depositors of the same project.

- 9- In Rastin Participation Accounting, the effects of unjustified delays are not imposed on the obligee based on the common methods of charging a late payment penalty based on the interest rate. In order to quantify the effects of the obligee's delays, the delay on the project's income and expenses should be measured and charged as the net amount of this effect.
- 10- The intermediary of the bank's funds in Rastin Participation Banking causes the difference between the processes of accounting documents booking in this banking method and conventional banking. In this way, the accounting heading of the intermediary account for the received funds can be booked in the liabilities section in off-balance sheet items and in the form of bank obligations. Entrepreneur obligations regarding projects and issuance of Rastin Certificates¹², administrative documents or contractual obligations, documents and guarantees, obligations of banks and other insurance companies are part of the principle of depositors' capital, including other documents in the assets off-balance sheet items section. At the time of settlement, the reverse documents of the above are booked.
- 11- According to the booking of accounting documents in paragraph 10 and because the funds received from the depositor and paid to the entrepreneur are the same as trust funds and obligations so, they are booked as off-balance sheet items. According to this way of accounting the items of precautionary reserve and legal reserve have substantial difference with conventional banking.
- 12- The fund in Rastin Banking accounting is of two types, the first type is similar to the conventional banking and the assets on balance sheet section and the second type of Rastin Banking fund is off-balance sheet. The reason for this separation is the difference between the accrual funds and the cash funds of the bank's assets and the funds of the Rastin fund do not include the bank's additional reserves.
- 13- According to the above clauses and the features of Rastin Participation Banking, which turns the bank into an intermediary for funds, the occurrence of overdue, nonperforming loans will be possible only if the provisions of the regulations are not strictly implemented.
- 14- The ratio of capital adequacy according to the regulation (approved on 2004/02/14 by the Money and Credit Council) is derived from the division of capital tier 1 (according to the regulation on the basic capital of banks and NBFIs approved on 2004/01/17) to the total assets of the on-balance and off-balance sheets calculated according to risk. At least this ratio is set at 8% for conventional banks. Considering the change in the nature of financial and accounting operations in Rastin Participation Banking caused by the above clauses, it is necessary to determine the new ratio of capital adequacy for this type of banking.

Accounting operations of Rastin Participation and off-balance sheet items

After reviewing the project and carrying out the process of verifying the eligibility of the entrepreneur and the project in accordance with the Rastin Banking regulations and collecting the related fees, the bank will issue the Rastin Certificate. Simultaneously with the sale of Rastin Certificates through the Rastin Certificates Market System, the following accounting documents are automatically booked in the Rastin

¹² Rastin Certificates: The name of the set of certificates designed in Rastin Participation Banking system, which are defined and issued in the base system or its subsystems according to the rules of Rastin Participation Banking. Rastin Certificates are issued with the certificate prefix, according to the supervision of Bank's Trustee Unit on the operation of the entrepreneur. Being anonymous, transferable to others, ability to buy and sell in the virtual secondary market (Rastin Certificate Market), being profitable for the bank in terms of transaction fee, determining the price according to the supply and demand mechanism in the Rastin Certificate Market, periodic settlement with the last owner of the certificate, the possibility of private or being a governmental, and personal or legal entities as customers are among the characteristics of these certificates. Settlement or conversion of Rastin Certificates is done under the supervision of the bank's Trustee Unit.

Banking Ledger (RGL) system. The way of booking of accounting operations of the Rastin Participation in the core items of the bank's balance sheet are as follows:

1. At the time of entering into a valid contract with the entrepreneur and obtaining documents and guarantees, the following document is booked with the value of the evaluated documents and guarantees.

Deb: obligations of the entrepreneurs for Rastin Banking projects (documents and guarantees contracts) ¹³xxxxxx
Cred: the party to the obligations of the entrepreneurs for Rastin Banking projects (documents and guarantees contracts) xxxxxx
Deb: the bank's commitment party for Rastin Banking projects (documents and guarantees contract) xxxxx
Cred: Obligations of the bank for the bank for Rastin Banking projects (documents and guarantees contract) xxxxx

2. At the time of sale of the certificates of authenticity of the following document, the total amount of financing is automatically recorded.

Deb: Rastin Bank account/customer account (Rastin Certificates sold) xxxxxx
Cred: the box Rastin Certificates (Rastin Certificates sold) xxxxxx
Deb: the bank's obligations for Rastin Banking projects (certificates sold) xxxxxx
Cred: the bank's obligations for Rastin Banking projects (Rastin Certificates sold) xxxxxx

3. The following accounting documents should be booked when depositing money to the project manager's account in one time or gradually.

Deb: Rastin Banking Certificates Fund (Sold Rastin Certificates) xxxxxx
Cred: Rastin Banking fund/entrepreneur account (Rastin Certificates sold) xxxxxx
Deb: Bank commitments for Rastin Banking projects (Rastin Certificates sold) xxxxxx
Cred: the bank's commitment party for Rastin Banking projects (Rastin Certificates sold) xxxxxx
Deb: Entrepreneurs' obligations for Rastin Banking projects (Rastin Certificates sold) xxxxxx
Cred: the party to the obligations of the entrepreneurs for Rastin Banking projects (Rastin Certificates sold) xxxxxx
Deb: Bank's commitment party for Rastin Banking projects (Project Evaluation Unit) xxxxxx
Cred: The bank's obligations regarding Rastin Banking projects (Project Evaluation Unit) xxxxxx

Any payment to the entrepreneur for the physical progress of the project or payment in any step will as an obligation of the Rastin Banking Evaluation Unit (documents in paragraph 3). The sub-section of the documents in paragraph 3 specifies what part of the financing was paid to the entrepreneur from the place of sale of the Rastin Certificate and to which persons these certificates belong. Obtaining documents in accordance with the Rastin Banking regulations (proforma, invoice, credit opening documents, etc., warehouse bill, customs green sheet, letter of commitment and receiving any positive documents by the Evaluation Unit that shows the value of the project) representing the potential value of the project and must be approved by the bank's Evaluation Unit.

¹³ The collaterals and guarantees can be booked as well as contracts in the form of disciplinary accounts, but to increase internal supervision in Rastin Banking, it is necessary to book as obligations.

4. At the time of final project sale and settlement, the following accounting documents are recorded.

<p>Deb: Rastin Banking fund/entrepreneur account/project buyer's account ××××××</p> <p>Cred: Rastin Certificates Fund (the principle of project sale capital) ××××××</p> <p>Cred: Rastin Certificates Fund (added value of the project) ××××××</p> <p>Deb: the party to the entrepreneur's obligations for Rastin Banking projects (sold certificates) ××××××</p> <p>Cred: Entrepreneur obligations for Rastin Banking projects (certificates sold) ××××××</p>
<p>Deb: The bank's obligations regarding Rastin Banking projects (Project Evaluation Unit) ××××××</p> <p>Cred: the bank's commitment party for Rastin Banking projects (Project Evaluation Unit) ××××××</p>
<p>Deb: Rastin Certificates Fund (principle of selling capital of the project) ××××××</p> <p>Deb: Rastin Certificates fund (added value of the project) ××××××</p> <p>Cred: Investor's account (for the profit and share of the depositing company in the Rastin Banking) ××××××</p> <p>Cred: Manager's account (for profit and shares of the manager's Participation)</p> <p>Cred: Bank income (for supervision, profit, etc.)</p>
<p>Deb: The party to the obligations of the entrepreneurs for Rastin Banking projects (documents and guarantees contracts) ××××××</p> <p>Cred: Obligations of entrepreneurs for Rastin Banking projects (documents and guarantees contracts) ××××××</p> <p>Deb: The bank's obligations for Rastin Banking projects (documents and guarantees contracts) ××××××</p> <p>Cred: Bank's commitment party for Rastin Banking projects (documents and guarantees contract) ××××××</p>

Figure (1): Data connection of off-balance sheet items and above the line in Rastin Banking

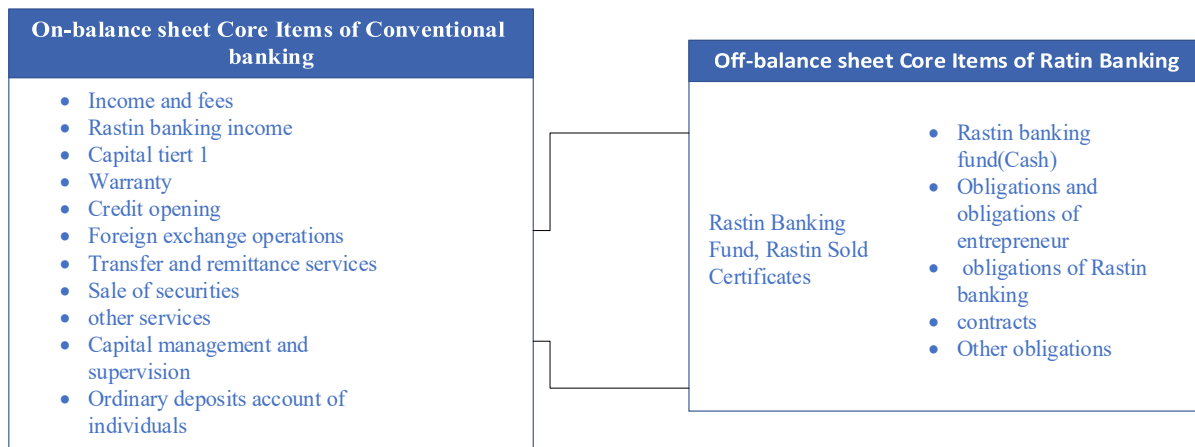


Figure (1) and table (1) show how financial data is related in the Rastin Banking balance sheet according to the above accounting documents. The off-balance sheet items, like the on-balance sheet, have specific subheadings related to each heading, which report the number of Rastin Certificates for each product and

customer. In other words, the Rastin Banking Ledger (RGL) is connected and integrated with the system of selling Rastin Certificates, and as soon as the contract is signed with the entrepreneur and the sale of Rastin Certificates, the issued accounting documents are placed in their own category. Any money payment to the entrepreneur account in the accounting documents will be considered as the obligations of the entrepreneur to acquire the funds of the investors (depositors) of Rastin Banking, and on the other hand, the Evaluation Unit will be obliged to monitor and obtain documents in accordance with the regulations of Rastin Banking is as an obligation of the bank for evaluating and monitoring the project.

Table 1: Simulated balance sheet (off-balance items) of Rastin Banking

Debtor		Creditor																																																			
1. Obligations of entrepreneurs for Rastin Banking projects (bonds and guarantees contracts) Party to the bank's obligations regarding Rastin Banking projects (bonds and guarantees contracts) + Project A + Project B 3. Rastin Banking fund (cash) + Project A + customer code a		1. The party to the obligations of the entrepreneurs for - Rastin Banking projects (bonds and guarantees contracts) Obligations of the bank for Rastin Banking projects (collateral contracts and guarantees) + Project A + Project B 2. Rastin Banking Fund/Rastin Certificate (Rastin Certificates sold) + Project A + customer code a																																																			
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3. The bank's commitment party for Rastin Banking projects (Project Evaluation Unit) 4. Rastin Banking Certificate Fund (principle of project sale capital) 4. Rastin Banking certificate fund (added value)		2. The party to the obligations of the entrepreneurs for - Rastin Banking projects (Rastin Certificates sold) 3. The bank's obligations regarding Rastin Banking projects (Project Evaluation Unit) + Project A																																																			

Operational example

Below we mention an operational example for participation in the profit and loss of a special project in form of Rastin Banking Accounting. Suppose, an entrepreneur in the commercial sector needs 10 billion rials for 6-months financing in form of Rastin Banking PLS fund. His own contribution is 3 billion rials. The remaining 10 billion rials is financed through Rastin Banking. It is assumed that the merchandise of the entrepreneur is in the form of a Mudarabah Financial haring¹⁴ (MFS) is sold for 25 billion Rials.

Issuance of Mudarabah Certificate with a combination of 50% as 10 million Rials certificates, and 30% as 20 million Rials and 20% as 50 million Rials certificates and obtaining an acceptable guarantee in the amount of 16 billion Rials in accordance with the Rastin Banking regulations, the following operations in the system related to the description are done as below. All the following accounting documents are booked under the balance sheet line as off-balance sheet items (figures are in billions of Rials).

<u>Booking Operations</u>	<u>Billion Rials</u>
First step: contract	
Deb: The obligations of the entrepreneurs for MFS projects (documents and guarantees contracts)	16
Cred: Party to the obligations of the entrepreneurs for MFS projects (documents and guarantees contract)	16
Deb: Bank's obligations for MFS projects (documents and guarantees contracts)	16
Cred: Obligations of the bank for the bank for MFS projects (documents and guarantees contract)	16
Second step: selling Rastin Certificates	
Deb: Rastin Bank account/customer account (Rastin Certificates sold)	13
Cred: Cash Rastin Certificates (Rastin Certificates sold)	13
Deb: MFS projects (Rastin Certificates sold).	13
Cred: MFS projects (Rastin Certificates sold)	13
Third step: Payment of funds from the projects fund to the entrepreneur account	

¹⁴ Mudarabah Financial Sharing (MFS): It is a type of Mudarabah under the rules of Rastin Profit and Loss Sharing Banking, in which the banks introduces the entrepreneur project in the matter of buying and selling (trade) to the depositors and collect the necessary resources to carry out the operations. In Mudarabah Financial Sharing (MFS), Mudarabah Certificate and Periodic Mudarabah Certificate are used.

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Deb: Box of certificates Rastin Banking MFS (Rastin Certificates sold)	13
Cred: bank fund/entrepreneur account (Rastin Certificates sold)	13
Deb: Bank commitments for MFS projects (Rastin Certificates sold).	13
Cred: the bank's obligations for MFS projects (Rastin Certificates sold)	13
DEB: Entrepreneur commitments for MFS projects (Rastin Certificates sold).	13
Cred: Party to the obligations of the entrepreneurs for MFS projects (Rastin Certificates sold)	13
Deb: Bank's obligations for MFS projects (Project Evaluation Unit)	13
Cred: Bank's obligations regarding MFS projects (Project Evaluation Unit)	13

Fourth step: When the project is sold, the following calculations and accounting documents are recorded.

Total cost of project, $10 + 3 = 13$
Value + cost price = labor productivity value + added value + paid capital value, $12 + 3 + 10 = 12 + 13$
Sale price of the design = added value + finished price of the design, $13 + 12 = 25$
Sale price of the project = value of labor productivity + value brought + value of the capital paid, $10 + 3 + 12 = 25$
Depositor's capital return ratio = (depositor's capital value) ÷ (scheduled price of the project), $10 ÷ 25 = 0.4$
Yield ratio of the operator = (value of the operator) ÷ (price of the project), $3 ÷ 25 = 0.12$
Efficiency ratio of entrepreneur work = (added value of the project) ÷ (price of the project), $12 ÷ 25 = 0.48$

The amount of the depositor's and entrepreneur's share of the added value will be obtained from the product of their efficiency ratio in the added value of the project. In other words:

Depositor's share of added value = (depositor's capital return ratio) × (added value of the project), $0.4 × 12 = 4.8$
Entrepreneur's contribution from the added value = (efficiency ratio of entrepreneur's contribution) × (added value of project), $12 × 0.12 = 1.44$
Entrepreneur's share of added value (entrepreneur efficiency ratio) × (added value of the project), $0.48 × 12 = 5.76$

The amount of the depositor's share of the sale price of the project is obtained from the sum of the amount of the depositor's share of the added value plus his brought deposit. Also, the amount of the entrepreneur's share of the sale price of the project will be obtained from the sum of the amount of the entrepreneur's contribution from the added value plus the amount of the entrepreneur's share of the added value plus the entrepreneur's income. In other words:

Depositor's share of the sale price of project = (amount of depositor's share of added value) + (depositor's deposit)
Depositor's share of the sale price of the project, $4.8 + 10 = 14.8$

Total amount of the entrepreneur's share of the sale price of the project	=	(The amount of the entrepreneur's contribution to the added value)	+	(Amount of entrepreneur work's share of added value)	+(Entrepreneur brought)
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The total amount of the entrepreneur's share of the sale price, $1.44 + 5.76 + 3 = 10.2$
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Entrepreneur's share of the project + depositor's share of the project = added value + depositor's capital + entrepreneur's brought, $10.2 + 14.8 = 12 + 10 + 3$
--

Value = labor yield + brought yield + yield of capital paid, $5.76 + 1.44 + 4.8 = 12$

Now, the accounting documents are booked under the balance sheet line as headings described in the following table:

<u>Booking Records</u>	<u>Billion Rials</u>
Deb: Rastin Banking fund/Entrepreneur account/Project buyer account	25
Cred: Rastin Certificates fund (principle of project sale capital)	13
Cred: Rastin Certificates fund (added value of the project)	12
Deb: Party to the obligations of the entrepreneur for Rastin Banking projects (Rastin Certificates sold)	13
Cred: Entrepreneur commitments for Rastin Banking projects (Rastin Certificates sold)	13
Deb: Bank's obligations regarding Rastin Banking projects (Project Evaluation Unit)	13
Cred: Bank's commitment party for Rastin Banking projects (Project Evaluation Unit)	13
Deb: Bank fund/ Depositor accounts/ Entrepreneur	0.39
Deb: Rastin Banking fund (project sale capital principle + bank income)	13
Deb: Rastin Banking fund (value added of the project)	12
Cred: Depositor's account (about the interest and share of the depositor's participation in Rastin Banking)	14.8
Cred: Entrepreneur's account (for profit and shares of the entrepreneur's Participation)	10.2
Cred: Bank income (for supervision, interest) ¹⁵	$0.03 \times 13 = 0.39$
Deb: Party to the obligations of the entrepreneurs for Rastin Banking projects (documents and guarantees contracts)	13
Cred: Obligations of entrepreneurs for Rastin Banking projects (documents and guarantees contracts)	13
Deb: Obligations of bank to the bank for Rastin Banking projects (documents and guarantees contracts)	13
Cred: Party to the bank's obligations for Rastin Banking projects (documents and guarantees contracts)	13

Account booking of other Rastin Banking products and services is done according to the defined process above.

Conclusion

In general, the resources at the disposal of the bank in Rastin Banking are not owned funds of the bank, so it is booked as off-balance sheet items. Rather, the loans and credits paid by the bank, are all under obligations and trusts and should be included as off-balance sheet items. The funds of the Rastin Banking are not included in the bank's additional reserves to be used as the free reserves for lending, but are booked as off-balance sheet items, and are committed as the project obligations and are paid to the desired project according to the level of progress.

¹⁵ In other words: The bank's income for capital management services is 3% of the total financing (including the depositor and executors) from the depositor's share. Entrepreneur yeilds will be deducted and will be transferred as the bank's income.

Another issue is the belonging of the yeild of a project to the principle of the same project, which requires the separation of the booking and accounting of each project separately. And as a result, the profit or loss of each project must be allocated to the same project and not to other financial activities of the bank.

Rastin Participation Accounting provides a coherent method to solve the above and many other Mushareka problems, providing a wise and reasoned solution to these issues within the framework of participation operations in Rastin Banking System.

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