



UNIVERSITI KUALA LUMPUR BUSINESS SCHOOL

FINAL EXAMINATION MARCH 2024 SEMESTER

COURSE CODE	: EBB30303
COURSE NAME	: ISLAMIC ACCOUNTING PRACTICES
PROGRAMME NAME	: BACHELOR OF BUSINESS ADMINISTRATION (HONS) IN ISLAMIC FINANCE
DATE	: 6 JULY 2024
TIME	: 2.00 PM – 5.00 PM
DURATION	: 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Please **CAREFULLY** read the instructions given in the question paper.
2. This question paper has information printed on both sides of the paper.
3. This question paper consists of **FOUR (4)** questions.
4. Answer **ALL** questions.
5. Please write your answers on the answer booklet provided.
6. All questions must be answered in **English** (any other language is not allowed).
7. This question paper must not be removed from the examination hall.

THERE ARE FIVE (5) PAGES OF QUESTIONS, INCLUDING THIS PAGE.

Question 1

- a) In 2021, Ikhwan Islamic Bank signed a Musharakah mutanaqisah contract with Al Amin Berhad to provide financing for a property development project. The total capital for the partnership was RM800,000 provided by both partners in the following proportions:

Al Amin Berhad	50%
Ikhwan Islamic Bank	50%

Al Amin agrees to repay the bank in four equal annual installments. The profit-sharing ratio between Bank and Al Amin is agreed at 40:60.

The profit and loss of the project is as follows:

Year	Profit/(Loss) in RM
2021	150,000
2022	(60,000)
2023	220,000
2024	(80,000)

Required:

- i. Calculate the profit and loss sharing between Ikhwan Islamic Bank and Al Amin Berhad for the year 2021 to 2024.
(8 marks)
 - ii. Why do you think that Islamic banks are less interested in offering *Musharakah Mutanaqisah* even though it was previously suggested as a better alternative for Islamic home financing?
(4 marks)
- b) Islamic Muamalat entered into a two-year Istisna' contract to construct a warehouse for a total price of RM1,000,000 commencing 1 January 2024. The following costs were estimated at the time of concluding the contract.

Costs	31 December 2024	31 December 2025
Materials	300,000	100,000
Wages	300,000	100,000
Total	600,000	200,000

Billings were made in year 2024 for RM700,000 and the remaining balance was billed at the end of year 2025. The payment was agreed to be made in equal instalment for 4 years. The Bank recognises revenue based on the percentage of completion method.

Required:

- i. Prepare journal entries and extract balance sheet for the years 2024 to 2027 to record the above transactions in the books of Islamic Bank

(13 marks)

Question 2

- a) Bank Islam Malaysia Berhad has entered into an ijarah contract with Adam Sdn. Bhd. to lease an equipment for a period of 3 years. The Bank purchased a specialized equipment from a local trader on the 1st of January 2021 for RM1,000,000 and incurred transportation cost of RM30,000. The Bank also incurred installation cost of RM10,000 relating to the ijarah contract, which the bank considered to be material. Both parties have agreed that the installments should be RM750,000 annually. The estimated value of the equipment in 3 years time is expected to be RM50,000. At the beginning of the year 2021, Adam Sdn. Bhd. Incurred cost of RM10,000 to increase the equipment capacity . Every year, Adam also paid RM15,000 to takaful for the equipment.

Required:

- i. Prepare journal entries to record the above ijarah contract in the books of Bank Islam as Ijarah Muntahia Bitamleek (IMBT).
 - ii. Prepare Balance sheet and profit & loss account for IMBT.
- b) "AsSalam Contract is one of selling contracts used by Islamic banks for short term financing, mainly it used in conjunction with a parallel AsSalam contract to provide financing to a commodity producer while selling the future product at a markup to another party who needs the commodity at a future period at a fixed price". Briefly explain the process practiced by Islamic banks for AsSalam financing.

(15 marks)

(5 marks)

(4 marks)

(Total: 25 marks)

Question 3

- a) The statement of financial position of Ariff Enterprise (AE) for the year ended December 31, 2023, is as follows:

Assets		Financed by	
Buildings	RM12 million	Share capital	RM9 million
Cash	RM3 million	Retained earnings	RM6 million

AE needs RM12 million to finance its activities. They decided to reinvest their earnings and raise funds through issuing sukuk ijarah. On January 1, 2024, AE sets up a special-purpose vehicle (SPV) and sells its buildings to the SPV for RM12 million.

The SPV then issue sukuk to investors (sukuk holders) and holds the office building in trust for sukuk holders. AE agrees to buy back the building at RM14 million on December 31, 2028. The SPV leases the building to AE for RM400,000 annually. AE makes a profit of RM500,000 million each year. Assume all transactions are on a cash basis.

Required:

- i. Prepare account (Journal entries, Income Statement, and Balance sheet) for sukuk under AAOIFI in the books of the originator (AE).
(13 marks)
- b) Zakat involves giving a specific portion of one's wealth to those in need, ensuring a fair and equitable distribution of wealth within the Muslim community. Explain how the payment of Zakat helps to achieve the following::
 - i. Redistribution of wealth
 - ii. Economic stability and growth.
 - iii. Encouragement of responsibility and accountability.

(13 marks)

(Total: 25 marks)

Question 4

Islamic bank sells a house to Mr. Azmi for RM250,000 with a markup of 10% per annum for a financing period of 4 years.

Required:

- i. Calculate the markup, Murabaha selling price, the yearly instalment, and the profit recognized per year.
(6 marks)
- ii. Prepare the journal entries in the bank records for the above transaction.
(10 marks)
- iii. Prepare the extract of the balance sheet and profit and loss account at the end of each year.
(9 marks)

(Total: 25 marks)

END OF EXAMINATION PAPER