



Course No:  
 Course title: Islamic banking Accounting  
 Date: \_\_\_/11/2017  
 No. of Questions: (3)  
 Time: 1 hours  
 Using Calculator (Yes)

2<sup>nd</sup> Midterm Exam  
 Second Semester  
 2017/2018  
 Total Grade:

Instructor: Dr. Ahmed A. M. Al-Afifi  
 Student No.: \_\_\_\_\_  
 Student Name: \_\_\_\_\_  
 College Name: Business and Finance  
 Dep. / Specialist: Accounting-English  
 Using Dictionary (No)

**Question One: State whether the following statements are true or false 10 marks**

	statement	T/F
1.	In Musharaka, Profit sharing and loss sharing ratio must be agreed in advance.	
2.	If a partial loss of the capital occurs resulted by fire (not by Mudarib) before the work on the mudaraba is started, the loss should be deducted from mudaraba financing account and debited to profit and loss account.	
3.	Expenses of the musharaka contracting incurred by one or both parties like feasibility studies shall not be considered as part of the Musharaka capital unless otherwise agreed by both parties.	
4.	The nonpayment of bank share profit by the partner is considered a reason for the termination of Musharaka contract.	
5.	In Murabaha, the Islamic bank doesn't need disclose the cost and markup to the client	
6.	In Murabaha, the Islamic bank must actually hold and own the property before selling it to the customer.	
7.	Hamish jiddiyah is amount paid by the purchase orderer upon request of the purchaser to make sure that the orderer is serious in his order of the asset.	
8.	Musharaka mutanaqisa is a permanent contract without any specified period of expiration.	
9.	When an Islamic bank undertakes a contract of Murabaha to finance submitted with a client, The bank will agree to bear all losses provided it is not resultant of the client's negligence	
10.	Murabaha to the Purchase Orderer involves two parties namely, the purchase orderer, and the seller.	

**Question two: 14 marks**

- An Islamic Bank provides a Murabaha to the Purchase Orderer financing to Baraka Construction to purchase a specialized equipment to be used for Baraka Construction's business project. Financing is for US\$ 500,000 at a constant rate of return of 10% for a period of 5 years. The annual installment payment is US\$ 150,000. **You are required to Prepare journal entries to record all the above transactions in the book of Islamic Bank for the years 0, year 1, and the end of Murabaha.**



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2. Palestinian Islamic Bank makes a Musharaka Mutanaqisa agreement with Afifi Co. in January 1st 2016. the total capital was 1 million USD where Afifi Co. contribution share of capital is 65%. Since Afifi Co. was the managing partner, it was decided that the profit sharing ratio of the Musharaka venture was 40:60 (40 for the bank). The profit and loss for the above venture was as follows:

Year 1 Profit of 100,000 \$.  
 Year 2 Loss of 50,000 \$.  
 Year 3 Profit of 120,000 \$.  
 Year 4 Loss of 60,000 \$.

The bank's share of the profits in year 1 and year 3 was duly paid to the bank at the last day of the financial year. At the end of year 4, the bank decided to terminate the agreement and it was agreed that the loss of 35,000 \$ of the 60,000 in year 4 was due to the negligence of Afifi Co. At the end of the year 4, Ali had still not paid the balance due from him.

**Required: Prepare an extract of journal entries from the beginning until the end of contract to record the recognition of assets and profit and loss of the musharaka mutanaqisa financing.**

**Question three:**

**6 marks**

1. A customer of an Islamic Bank is interested to obtain short-term credit for his working capital financing and has approached you to seek your advice on Murabaha Financing.

**Required: State the conditions of Murabaha Financing:**

2. Explain the differences between Murabaha to the Purchase Orderer and Bai Bithaman Ajil:

End of Questions ... *Good Luck*