Question One: *(10 Marks)*

The Islamic national bank signed a declining partnership contract with Mr. Nasser Heider with the following contract terms:

1- The bank pays $150000 to fund the building of animal food factory.

2- Mr. Nasser Heider contributes to the capital by giving a $100000 worth land to build the factory on and after building the factory, he will run the business.

3- Profits distributed at 2:3 for the bank and Mr. Nasser Heider respectively, however, losses are directly deducted from the capital according to the outstanding equity shares of each party.

4- Mr. Nasser Heider pays 80% of his share in profits to buy the bank out.

5- Cash flows of the operations are as follows:

Initial outlay	CF1	CF2	CF3	CF4	CF5	CF6	CF7
250000	100000	(20000)	(10000)	200000	300000	300000	200000

Required: Schedule the operations of capital findings and buying-out operations.

Question Two: *(10 Marks)*

The Islamic national bank signed a Salam-sale contract with Mr. Nasser Heider with a $50000 worth deal. Mr. Nasser is expected to use the money in growing coco crops and deliver 20 ton of coco to the bank in 16 months timeframe. Upon date of delivery of coco crops, only 17 tons were collected and the 3 remaining tons were destroyed due to bad weather conditions (but Mr. Nasser is still held liable for them). The series of transactions occurred as follows:

1- The bank deposited the money $50000 in Mr. Nasser Heider current account.
2- 16 months later, Mr. Nasser Heider delivered 17 tons of coco to the bank and held liable for the remaining quantity. (Freight FOB Destination with $500 shipping expense afforded by the appropriate party).
3- The bank sold the 17 tons of coco out to a wholesale dealer for $65000.

Required:
1- Define the Salam-sale in the Islamic point view.
2- Record journal entries and closing entries.
3- Show the balance of Salam-sale finance ledger and Mr. Nasser Heider ledger account.

Course No: ACC 4322
Course Title: Islamic Bank Accounting
Date: 15/05/2014
No. of Questions: (6)
Time: 2hours
Using Calculator (Yes)

University of Palestine

Final Exam
2nd Semester 2013/2014
Total Grade:

Instructor Name: Laila Aldaoor
Student No.: _____
Student Name: _____
College Name: Business and Finance
Dep. / Specialist: Accounting-English
Using Dictionary (No)

Question Three: *(15 Marks)*

Islamic national bank has contracted with Mr. Nasser Heider to build a 12 floor tower and deliver it in two years as istisna'a contract. The contract with Mr. Nasser included a penalty clause of 100000$ in case of three months delay of delivering the tower delivery. The total revenue from building and delivering the building to tamer is 2000000$ to be received in equal four installment every six months and the first payment is received now.

The bank is no contractor and this is why he signed a parallel istisna'a contract with a real estate contractor. The contractor estimated that the total costs need to paid by the bank for building the tower is 1600000$. The bank mandated that the delivery is due in 18 months from now and agreed to pay the total amount by 500000, 500000 and 600000 semi-annual payments with the first payment to be paid at once. The bank included a penalty clause of 200000$ in case of six months delay in delivery.

Required:

1- What is the type of contract with the real estate contractor?
2- Explain how the bank hedge against the risk of penalty clause from contract with Mr. Nasser.
3- Using the completed contract method, record journal entries from the bank standpoint with both parties and calculate total profits.

Question Four: *(10 Marks)*

Islamic national bank has contracted with Mr. Nasser Heider to rent him out a 12 floor tower in a declining finance lease contract for 30 years. The tower had a book value of $330000, useful life of 30 years and an expected salvage value of $30000. The lease is to be paid off in 30 due equal annual payments including 5% annual profit rate. At the end of the lease term, the tower ownership is transferred to Mr. Nasser Heider. All operating and property tax expenses are to be borne by Mr. Nasser Heider.

Required:

1- Calculate annual profit and total profit on the lease term
2- Calculate annual lease payment of principle and profit
3- Record journal entries for the first year of lease.

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Using Dictionary (No)

Question Five: *(15 Marks)*

Mr. Nasser Heider has a firm for imports and exports and he is exporting a $2m worth of goods from china FOB shipping point. Mr. Nasser Heider filed for Letter of Credit LC covering at the Islamic national bank in Gaza. The Islamic bank is expected to stand as the issuing bank on the export operation from china with a commission fee of 5% of total deal value. Mr. Nasser Heider deposits the total value of the deal along with the bank commission in his bank account with the Islamic national bank and allows the bank to manage it for the LC funding purposes. The Chinese vendor is Wookinoowah Corporation who banks with bank of china (advisory bank).

Required:

1- Draw the diagram showing the flow of LC procedures.
2- List the 5 summary point procedures for LC operation and write the journal entry corresponding to each (if any).

Question Six: Bonus   *(5 Marks)*

Construct a theoretical example to show the superiority of ROE in Islamic finances over conventional finances.

End of Questions
Good Luck