



Course No:
 Course title: Islamic banking Accounting
 Date: 15/04/2017
 No. of Questions: (3)
 Time: 1 hours
 Using Calculator (Yes)

2nd Midterm Exam
 Second Semester
 2016/2017
 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 mudaraba, there is no guarantee of recovery of fund.	
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.	According to Ijarah Muntahia Bittamleek, a lease does not include a promise that a legal title will pass to the lessee.	
4.	If the lessee undertakes repairs of a leased asset with the lessor's consent and the cost of the repairs are chargeable to the lessor, then the lessor shall recognize these repairs as an expense in the financial period in which they are incurred.	
5.	In Murabaha, The Islamic bank doesn't need disclose the cost and markup to the client	
6.	The Islamic bank must actually hold and own the property before selling it to the customer.	
7.	Operating Ijarah involves two contracts i.e. a lease over the lease period and transfer of ownership at the end of contract.	
8.	Normal sales is a permanent contract without any specified period of expiration.	
9.	Murabaha to the purchase orderer is an ownership of the right to the benefit of using an asset in return for consideration	
10.	Murabaha to the Purchase Orderer involves two parties namely, the purchase orderer, and the seller.	

Question two: Choose the best answer 10 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:

- 1. Prepare an extract of the balance sheet and income statement of Islamic Bank from the beginning until the end of the contract to show the amount of net receivable and Murabaha income.**

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2. 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.



Question three:

10 marks

Arab Islamic Bank (Rabb al-Mal) executes mudaraba-financing contract for \$2,000,000 with Emara constructions (Mudarib) for a four-year (Mudaraba Muqayaddah) at the profit sharing ratio of 2:1 respectively.

Assume that the venture incurred a loss of \$150,000 in the first year; realized profit of \$375,000 in the second year; incurred a loss of 250,000 in the third year; and realized profit of \$350,000 in the fourth year.

Required:

I. Prepare the necessary journal entries to recognize asset and profit/loss of the above transactions,

II. show how profit/loss will be allocated between the Bank, and the Mend of first, second, third and fourth year, if the profit of *Mudaraba* is determined at the end of each period

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End of Questions
Good Luck