



جامعة السلطان الشريف علي الإسلامية
UNIVERSITI ISLAM SULTAN SHARIF ALI
SULTAN SHARIF ALI ISLAMIC UNIVERSITY

Faculty of Islamic Economics and Finance Semester II, 2022/2023 Academic Session

Final Examination Question Paper

Course Code : BF3312

Course Name : Islamic Accounting and Auditing

Programmes : Bachelor of Science in Islamic Finance

Time : 3 hours

Note(s):

1. This examination is divided into two (2) sections and carries a total of 100 marks.
2. Write ALL of your answers in the Answer Booklet provided.
3. Section A consists of Compulsory question which carries 60 marks.
4. Section B consists of Optional questions which carries 40 marks.
5. Candidates are not allowed to take the Answer Booklet out of the examination venue.

SECTION A (TOTAL: 60 MARKS)

ANSWER ALL OF THE QUESTIONS

Question 1 [30 Marks]

Bank XYZ Islam Berhad

Statement of financial position as at 31st December 2022

Assets	\$
Cash and balances with banks and agents	130,000,000
Deposit and placement with financial institutions	2,130,700,000
Dealing securities	1,300,000,000
Investment securities	420,000,000
Financing of customers	3,511,350,000
Bills receivable	125,000,000
Statutory deposits with Brunei Darussalam Central Bank	545,300,000
Property, plant and equipment	338,200,000
	8,500,550,000
Liabilities	
Deposit from customers	6,583,000,000
Deposits and placements of banks and other financial institutions	230,000,000
Bills payable	72,150,000
Shareholders' funds	
Share capital	855,400,000
Reserves	760,000,000
	8,500,550,000

Additional Information:

- i. One of the fixed assets have been sold for \$11,475,000 during the year 2022. The net book value of the assets is \$12,500,000. This transaction has not been adjusted in the above financial statements.
- ii. It is discovered that 4.5% of the bill receivable is non-recoverable and need to be written off. This provision has not been provided.
- iii. The market value of dealing securities and investment securities for the year 2022 are \$1,350,000,000 and \$525,000,000 respectively.
- iv. The share capital include equity owned by non-profit organisations amounted to \$25,200,000.

Required

- (a) Why is the amount of zakat as determined by the two (4 Marks)
methods prescribed by AAOIFI FAS No.9 should be the same?
- (b) Provide two cases as indicated in AAOIFI FAS No.9, in which Islamic (4 Marks)
banks is obliged to pay zakat.
- (c) Determine the amount of zakat payable by Bank XYZ Islam for the fi- (16 Marks)
nancial year 2022 based on the AAOIFI's FAS No.9 two recommended
methods.
- (d) Bank XYZ Islam invested in the following shares and sukuk: (6 Marks)

	Types	Purchase Value Per share	Quantity	Market/ Fair Value per share (on 31 December 2022)
Ordinary shares in Co. A	Available for sale	\$3.40 (at 1 April 2018)	150,000	N/A
Ordinary shares in Co. B	Held for trading	\$3.10 (at 1 June 2022)	210,500	\$3.20
Ordinary shares in Co. C	Held for maturity	\$1.70 (at 1 January 2021)	130,230	\$2.25
Sukuk in Company D	Held for maturity	\$4.25 (at 1 November 2019)	115,000	\$4.30

Determine the amount of zakat payable on shares and sukuk invested by Bank XYZ Islam on 31st December 2022. Please take note the company did not normally pay zakat in business wealth.

Question 2 [30 Marks]

Bank XYZ entered into an Ijarah contract with Takaful Plc to lease equipment for period of 3 years. Bank XYZ purchased an equipment from a local trader on 1st January 2022 for \$125,000. The bank also legal fees of \$360 relating to Ijarah Contract which the bank considered to be material.

Other details on the Ijarah are as follows: -

Fair value of equipment: At the beginning of 2022; \$30,000

Fair value of equipment: At the end of lease 31 December 2025: \$2,000

Number of instalments on quarterly basis is 12.

Rentals at the end of each quarter \$12,000

Estimated Useful life 3 years.

Estimated residual value at the of useful life \$5,000.

Estimated Expenditure incurred in the second year \$3,200.

Required

- (a) Prepare journal entries to record the above Ijarah contract in the books of Bank XYZ assuming the lease was treated as Ijarah Muntahia Bitamleek through sale for a token consideration (agreed to be equivalent to 40% of the estimated residual value at the end of useful life) for the following periods:
- i) At the beginning of Ijarah.
 - ii) On receipt of first rental.
 - iii) At the end of first year, and

iv) At the end of Ijarah term.

- (b) Prepare the statement of financial position and income statement. (10 Marks)
- (c) Explain the differences between Ijarah Muntahia Bitamleek (as defined by the AAOIFI FAS 8) and Al-Ijarah Thumma Al-Bay' (AITAB) as practiced by Islamic financial institution in Brunei. (5 Marks)

SECTION B (TOTAL: 40 MARKS)

ANSWER TWO (2) OUT OF THREE (4) QUESTIONS.

Question 3 [20 Marks]

Bank XYZ entered into two years Istisna' contract to construct a diesel power generator for a total price of \$650,000 commencing 1st January 2022. The following costs were estimated at the time of concluding the contract.

	31 December 2022	31 December 2023
Materials	125,000	50,000
Wages	245,000	80,000
Total	370,000	130,000

Billings were made in year 2022 for \$375,000 and the remaining balance was billed at the end of year 2023. Following is the payment schedule that was agreed with the client of Bank XYZ:

Year	% of total price
2022	15%
2023	15%
2024	20%
2025	24%
2026	26%

The Bank XYZ incurred general and administration expenses totalling \$5500 during 2022.

Substantial increase in material cost occurred in 2023 due to the liquidation of a major supplier for the said material. Accordingly, the bank revised its cost estimate for material to be \$25,000 higher than previous planned.

The Bank XYZ recognises revenue based on the percentage of completion method

Required

- (a) Prepare all necessary journal entries for the years 2022 to 2026 to record the above transactions in the books of Bank XYZ. (10 Marks)
- (b) Prepare the statement of financial position and income statement of Bank XYZ for the year 2022 and 2023 to present the transactions relating to the contract. (10 Marks)

Question 4 [20 Marks]

On 1st March 2022, Bank XYZ entered into a Salam financing contract with Padi Distributor company to supply 160 metric tons of Grade 1 paddy on 1st May 2022 at \$1150 a metric ton. As a security, one of the assets of Padi Distributor company was pledged to the bank. The amount was paid to Padi Distributor company on the same day.

On 25th April 2022, the bank entered into a parallel Salam contract to supply the same to Fakhrul Berhad of \$1320 per metric ton on 1st May 2022. Fakhrul Berhad paid the full amount on the same day.

On 1st May 2022, Padi Distributor company only delivered three-quarter of the promised quantity of grade 1 paddy. It also delivered 15 tons of grade 2 paddy which the bank refused to accept. Padi Distributor company informed that since it is insolvent, it cannot afford to pay the difference to the bank.

The bank was forced to buy Grade 1, paddy from the market at \$1250 per metric ton to deliver to Fakhru Berhad. In 31st August 2022, the security pledged by the Padi Distributor company was sold for \$70,000 and the appropriate amount refunded to Padi Distributor company.

Required

- (a) Prepare the journal entries in the books of Bank XYZ to record the salam and parallel salam contracts from 1st February until 31st August 2022. (10 Marks)
- (b) Prepare the income statement and statement of financial position for Bank XYZ. (5 Marks)
- (c) 'The validity of a salam contract is dependent on satisfying certain terms and conditions relating to salam assets.' Explain 5 terms and conditions of a typical salam contract, which are considered necessary for the validity of the contract. (5 Marks)

Question 5 [20 Marks]

Bank XYZ Berhad had invested in the following securities in terms of ordinary shares and sukuk issued by the following companies/sovereign government:

ORDINARY SHARES

	Company A	Company B	Company C
Acquisition date	1 st January 2016	15 th March 2019	1 st January 2005
Types	Held-to-Trading	Available-for-sale	Available-for-sale
Acquisition price per share	\$4.00	\$19.00	\$6.20
Quantity of shares	350,000 units	820,000 units	1,110,000 units
Quoted price per shares on 30 th May 2022	\$4.30	\$27.00	\$8.75

SUKUK

	Company D	Company E	Company F
Acquisition date	1 st January 2014	1 st January 2005	1 st January 2010
Types	Held-to-Maturity	Held-to-Maturity	Held-to-Maturity
Acquisition price per share	\$11.00	\$13.00	\$12.50
Quantity of shares	650,000 units	1,350,000 units	1,210,000 units
Maturity Date	30 th May 2022	31 st December 2038	30 th Jun 2024

Required

- (a) a) Prepare journal entries to recognise the above investment (10 Marks)
in securities for both shares and sukuk in accordance with the requirements of AAOIFI FAS 17. The profit realised for sukuk invested in company D on 30th May 2022 is \$2.30 per share.
- (b) Bank Shariah has agreed that 30th May 2022, 55% of the balance of the investment Fair Value Reserve Account will be distributed according to the profit sharing ratio of 30:70 between shareholders and depositors/investors. The balance on 1st April 2021 the Investment Fair Value Reserve account was \$5,150,000.
- i) Prepare the investment Fair Value Reserve (5 Marks)
Account as at 30th May 2022.
- ii) Show the profit distribution between shareholders (5 Marks)
and depositors/ investors.

بالتوفيق والنجاح