



The Premier Islamic Bank

MURABAHA

Recording & Monitoring



Product Development & Shariah Compliance



Outline

- **Murabaha Recording**
 - Account Heads & Their Treatment
- **Murabaha Checking & Monitoring**
 - Murabaha Monitoring Sheet



Murabaha Recording

- Under IFAS 1 – Murabaha

Basic Difference in recording the transactions are

- ✓ At the time of payment to the client for the purchase of the goods on behalf of the bank, the payment will be booked in the account head named **Advance against Murabaha A/c**.
- ✓ At the Culmination of Murabaha i.e. at the time of sale of goods to the customers with signing of Declaration by the bank and the client the **Advance against Murabaha A/c** will be adjusted with the **Murabaha Financing A/c**.



Murabaha Recording

- ✓ **Booking of Accruals would ONLY be made when:**
 - **Declaration has been signed and the Murabaha Financing has been booked.**



Murabaha Recording

EXAMPLE

(Amount in Rs) / %

- 1) Purchase Price / Cost / Principal 1,000/-
- 2) Profit Rate 10%
- 3) Tenure 1 Year
- 4) Profit 100/-
- 5) Date of disbursement to supplier / customer January 01, 2006
- 6) Date of Culmination of Murabaha February 15, 2006
- 7) Date of Maturity of Murabaha December 31, 2006

o At the time of payment to the client for purchases

Dr Advance against Murabaha	1,000
Cr Pay Order / Party Account	1,000



Murabaha Recording

Example continues.....

- o At the end of First month i.e. January 31, 2006

No Entry would be passed for accruals of profit, as Declaration has not been received from the customer.

- o On February 15, 2006, at the culmination of Murabaha i.e. at the time of sale of goods to the customers with signing of Declaration by the bank and the client.

Dr	Murabaha Financing	1,000	
Dr	Murabaha Profit Receivable	100	
Cr	Advance against Murabaha		1,000
Cr	Deferred Murabaha Income		100

- o At the time of Booking of Accruals @ 10% profit rate each month the following entry would be passed, accruing **TWO** months profit on February 28, 2006:

Dr	Deferred Murabaha Income	16.164	
Cr	Income on Murabaha Financing		16.164



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Murabaha Checking & Monitoring

- Murabaha Monitoring Sheet



Murabaha Checking & Monitoring

Purpose:

The purpose of implementing Murabaha-Monitoring Mechanism (MMM) is:

- To improve the quality of Murabaha transactions,
- To reduce the gap between disbursement and purchase evidence,
- To avoid delays in declaration and to streamline Murabaha transactions in Commercial Banking, Corporate and at all branch level.



Murabaha Checking & Monitoring

- Murabaha Monitoring Sheet (MMS) will be prepared by the Credit Administration Department (CAD) for each branch manually or through system (which ever is available), as per the format given.
- The MMS will **separately** be prepared for all Corporate & SME/Commercial dept Murabaha transactions.
- This will be a self-monitoring sheet and will be used by the Corporate / SME Incharge of the branch and Head Office to ensure proper execution of Murabaha transactions.
- The prime responsibility of implementing this mechanism lies with each Branch Manager / CAD Manager.