

## Accounting Treatment for Murabaha Financing

### **1. Down Payment received from the Member**

Cash/Bank A/c ..... Dr.

To Down Payment A/c

(Being Down Payment received from member for Murabaha financing)

### **2. Advance Payment made to the Supplier for purchase of Goods**

Supplier A/C..... Dr.

To Cash/Bank Account

(Being advance payment made to supplier/purchase Machinery for Murabaha Financing/Sale)

### **3. Goods received from the supplier**

Inventory A/C.....Dr.

To Supplier

To Cash/Bank A/C

(Being Machinery received from the Supplier against the advance payment for Murabaha Financing/Sale and balance amount paid)

### **4. Murabaha Financing/Sale Disbursed**

Murabaha Financing/Sale A/C..... Dr.

To Inventory

To Deferred Profit on Murabaha

(Being Murabaha financing disbursed and Markup/Profit added)

### **5. Installment received**

Cash/Bank A/C..... Dr.

To Murabaha A/C

(Being installment received against the Murabaha Financing/Sale for the month of.....)

### **6. Profit received**

Deferred Profit on Murabaha A/C..... Dr.

To Profit on Murabaha A/C

(Being Murabaha Profit received for the month of.....)

**7. Penalty Applied on account default of installment**

Murabaha A/C..... Dr.

To Charity Account A/C

(Being penalty charged for installment default for the month of.....)

**8. Penalty Received**

Cash/Bank A/C..... Dr.

To Murabaha A/C

(Being penalty amount received against the late/default payment to be paid to approved charity)

**9. Charity Paid**

Charity Account A/C..... Dr.

To Cash/Bank A/C

(Being penalty amount received paid to the approved charity)

**10. Rebate given**

Deferred profit on Murabaha A/C..... Dr.

To Murabaha Financing

(Being rebate given to settle the Murabaha financing)

**11. Completion/Termination of Murabaha contract**

Cash/Bank A/C..... Dr.

To Murabaha Financing

(Being Murabaha financing completed/terminated and the remaining amount is received)