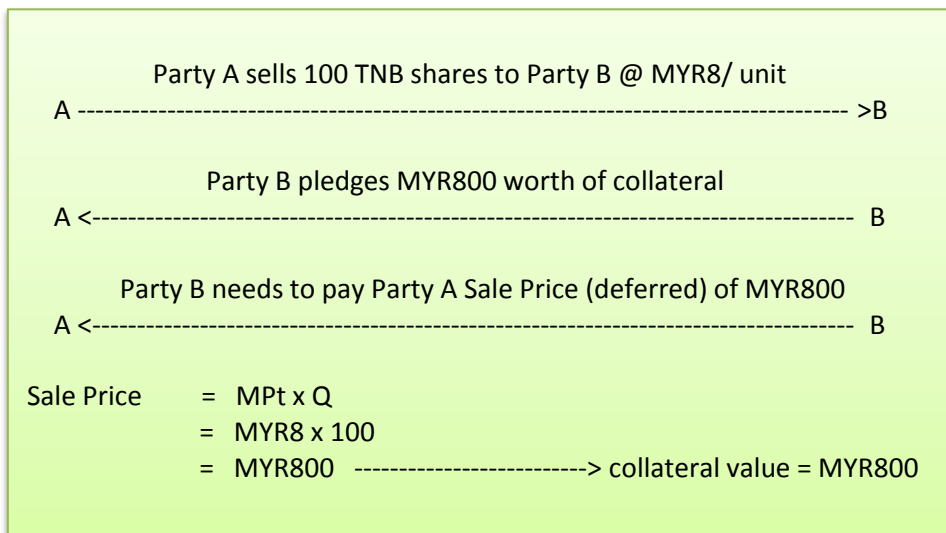


Scenario 3 - If Share Price Moves Up + Leg 2 Does Not Take Place

(Settlement can be by Cash Settlement or Replacement)

Leg 1

Date, T=0	31-Dec-14	
No. of TNB shares, Q	100.00	
Price/ unit (MYR), MPt	8.00	
Sale Price (MYR), SP	800.00	(deferred)
Total Fee (MYR), MI	100.00	
Total Dividend (MYR), D	100.00	
Expected Maturity Date	31-Dec-15	
Value of Collateral pledged (MYR) on T=0	800.00	(mark-to-market) [X]



Date, T=181	30-Jun-15	
TNB Share Price/ unit (MYR), MP	10.00	
Collateral top-up, (MP x Q) - (MPt x Q)	200	[Y]
Collateral value (MYR), [X] + [Y]	1,000.00	

Leg 2 cannot happen

Date, T=334	30-Nov-15
No. of TNB shares, Q	100.00
Price/ unit (MYR), MP	10.00
Sale Price (MYR), SP	800.00
Total Fee (MYR), MI	100.00
Total Dividend (MYR), D	100.00
Value of Collateral pledged (MYR) on T=334	1,000.00

A) Cash Settlement

Leg 2 cannot take place

B -----X----- >A

Party A needs to return MYR1,000 worth of collateral

B <----- A

Party B needs to pay Party A Sale Price of MYR800

B ----- > A

Party B opts to make Cash Settlement @ [V] value

B <----- A

[V] = SP + Δ MP + D + MI
= SP + [(MP x Q) - (MPt x Q)] + D + MI
= MYR800 + [MYR1,000 - MYR800] + MYR100 + MYR100
= MYR800 + [MYR200] + MYR100 + MYR100
= MYR1,200*

Difference = MYR1,200 - MYR800
= MYR400 -----> (ΔMP + D + MI)

**preservation of investment value to Party A, excluding MI*

Draft Accounting Entries for Cash Settlement via Commodity Murabahah (MYR)

1) Party A buys commodity from CSP	800.00
2) Party A sells commodity to Party B	1,200.00
3) Party B sells commodity to BMIS	800.00
Gain to Party A	400.00

1) Party A	Dr Commodity	800.00	
	Cr Cash		800.00
BMIS (as agent for CSP)	Dr Cash	800.00	
	Cr Commodity		800.00
2) Party A	Dr Cash	1,200.00	
	Cr Commodity		800.00
	Cr 'Profit'*		400.00
Party B	Dr Commodity	800.00	
	Dr 'Expenses'*	400.00	
	Cr Cash		1,200.00
3) Party B	Dr Cash	800.00	
	Cr Commodity		800.00
BMIS (as principal)	Dr Commodity	800.00	
	Cr Cash		800.00

** subject to confirmation on accurate terminology to be used*

BMIS: Bursa Malaysia Islamic Services

B) Replacement

Step 1:

$$[V] = \text{MYR}1,200$$

Step 2: Assuming both parties agree to exchange
Maxis share at prevailing market price e.g. RM5/unit
Therefore,

Party B will deliver Maxis shares @ MYR5/unit

Party B needs to deliver :

$$\text{-----} \rightarrow [V] \div \text{MYR}5$$

$$\text{-----} \rightarrow \text{MYR}1,200 \div \text{MYR}5$$

$$\text{-----} \rightarrow 240 \text{ units of Maxis shares}$$

Draft Accounting Entries for Replacement with Alt. Shariah Compliant Securities (MYR)

1) Party B buys MAXIS shares from QRS 1,200.00
 2) Party B sells MAXIS shares to Party A 800.00

Gain to Party A 400.00

1) Party B

	Dr Shares	1,200.00	
	Cr Cash		1,200.00

2) Party B

	Dr Cash	800.00	
	Dr 'Loss'*	400.00	
	Cr Shares		1,200.00

Party A

	Dr Shares	1,200.00	
	Cr Cash		800.00
	Cr 'Profit'*		400.00

** subject to confirmation on accurate terminology to be used*