

Chapter 12

Multiple-Choice Questions

1. C
2. B
3. C
4. D
5. C
6. A
7. C
8. C
9. B
10. D

Quranic Heir Wife(s) share is fixed at $1/8$ (The 2 wives will share this)

Sons and Daughters will share residual with sons share 2 times of daughters:

Let X be the daughter(s) share:

$$\text{Hence : } \quad 1/8 + 2X + X = 1 \quad \text{Solve for } X = 7/24$$

Since there are 2 sons : Each of them will get = $2 \times 7/24 \times 1/2 = 7/24$

Since there are 2 daughters : Each of them will get = $7/24 \times 1/2 = 7/48$

Short-Answer Questions

Question 1

(a) The profits of the joint venture (Musharakah) will be shared based on the profit sharing ratio:

$$\text{Puan Rosimah's profit share} \quad : \quad 25,000 \times 70\% \quad = \quad \text{RM } 17,500$$

$$\text{AIB's profit share} \quad : \quad 25,000 \times 30\% \quad = \quad \text{RM } 7,500$$

(b) Losses of a Musharakah contract will be shared based on the capital contribution ratio.

$$\text{Puan Rosimah's share of losses} = \quad 150,000 / (150,000 + 50,000) \times 10,000 \quad = \text{RM}7,500$$

$$\text{AIB's share of losses} = \quad 50,000 / 200,000 \times 10,000 \quad = \text{RM}2,500$$

Question 2

$$\text{Surplus of the Takaful business} = 73 \text{ mil} - (5\% \times 73 \text{ mil}) - 24 \text{ mil} - 8 \text{ mil} = \text{RM } 37.35 \text{ Million}$$

$$\text{The surplus sharing ratio} = 25\% \times 37.35 \text{ mil} / 73 \text{ mil} \quad = \quad 12.791\%$$

$$\text{Roslee's share of the profit/surplus} = 12.791\% \times \text{RM}3,750 \quad = \quad \text{RM}479.67$$

Question 3

Since the total amount of the harvested crop is 4,554 kg, which was greater than the nisab of 1,306 kg, Abdullah will have to pay zakat on paddy.

$$\text{Zakatable amount} \quad = \quad (4,554 \times \text{RM}1.70) - 1,550 \quad = \quad \text{RM}7,891.80$$

$$\text{Zakat on paddy} \quad = \quad 5\% \times 7,891.80 \quad = \quad \text{RM}394.59$$

Question 4

She would be subject to the zakat on wealth (shares and savings) since the total value is more than the nisab of RM14,162 (85 g of gold).

She would not be subject to the zakat on gold as her gold jewellery holdings (450 grams) is less than the uruf for Selangor, which is 850 g of gold.

Question 5

| | | | | |
|------------------------|---|-------------------|---|---------------|
| UPL Plantation | : | 5 x 1,000 x 6.20 | = | 31,000 |
| YHS Industries | : | 25 x 1,000 x 1.50 | = | 37,500 |
| ABB Power | : | 10 x 1,000 x 5.05 | = | <u>50,500</u> |
| Total share value | | | | 119,000 |
| Total savings | = | 10,555 + 25,768 | = | <u>36,323</u> |
| Total zakatable amount | | | | 155,323 |
| Zakat on wealth | = | 2.5% x 155,323 | = | RM3,883.08 |

Discussion Questions

Question 1

Suggested answers should include:

| | Non-Muslim | Muslim |
|-----------------|--|--|
| During lifetime | <ul style="list-style-type: none">No restrictions on transfers of property | <ul style="list-style-type: none">No restriction on hibah. |
| Will | <ul style="list-style-type: none">No restrictions on distributionWills Act 1959 | <ul style="list-style-type: none">Can only distribute 1/3 of estate to non-Faraid heirsFaraid law |
| Executor | <ul style="list-style-type: none">Can be any person(s) above the age of 18. | <ul style="list-style-type: none">Can only be a Muslim male above the age |
| Beneficiaries | <ul style="list-style-type: none">No restrictions | <ul style="list-style-type: none">Non-faraid heirs – up to 1/3 of estate via the willQuranic Heirs – Fixed entitlementsResidual Heirs – Non-fixed sharesBaitul mal – if no residual heirs |
| Nominations | <ul style="list-style-type: none">Life insurance – Spouse, child and parent as potential beneficiaries. Other nominees are trustees.EPF and unit trust – Any individual can be beneficiary. | <ul style="list-style-type: none">For life insurance and EPF, the nominee should be the administrator/executor of the estate.As for unit trusts, the investment is considered part of the estate of the individual and needs to be mentioned in the will. |

Complications in Islamic estate planning could include:

- Many Muslims don't consider it necessary to live a *wasiyyah* as they may presume that the distribution would be done automatically according to Faraid. This is not entirely true. An

- Islamic will is necessary to identify a trusted executor (*wasi*) and shorten the probate process.
- No consensus among heirs and/or traceable heirs
- If land/property is distributed among many relatives that have different opinions on how the property is to be used, this may create disagreements. In the meantime, the land/property remains idle
- Complicated family structure for instance the practice of polygamy and other defacto relationships that can create a problem on settlement and administration of the estate
- Without a will the adopted children (not Faraid heirs) will not bequest anything
- Any other relevant answer

Question 2

| | <i>Mudarabah</i> | <i>Musharakah</i> |
|------------------------------|---|--|
| Capital contribution | By one party only | By more than one party based on a proportion agreed upon by all parties. |
| Type of capital contribution | Cash/money | Property with certain commercial value and intellectual capital |
| Profit sharing | Based on pre-agreed profit sharing ratio | Based on pre-agreed profit sharing ratio |
| Loss sharing | <ul style="list-style-type: none"> • Monetary loss totally borne by the capital provider. • The entrepreneur will only bear loss of time/effort | <ul style="list-style-type: none"> • Loss borne based on the share of capital contributed |
| Type of products | <ul style="list-style-type: none"> • Investment • Deposit taking | <ul style="list-style-type: none"> • Investment • Financing |

Case Study

Current Assets

| | | | |
|----------------------|---------------------------|---------------|---------|
| Cash | Fixed Deposits | 85,500 | |
| | Current Account | 58,750 | |
| Stock of Trade | Inventory (Closing Stock) | 135,256 | |
| Trade Debtor | Accounts Receivable | <u>50,250</u> | |
| Total Current Assets | | | 329,756 |

Current Liabilities

| | | | |
|---------------------------|--------------------------------|-------------------|-------------|
| Trade Creditor | Accounts payable | -65,580.00 | |
| Operational debt | Other payables (e.g. accruals) | -45,250.00 | |
| Current unpaid tax | Tax Payable | <u>-10,250.00</u> | |
| Total Current Liabilities | | | -121,080.00 |

Adjustments:

| | | | |
|------------------------------------|--|-------------------|-------------------|
| Add: Adjustment to deposits | Donations made during the year | 15,760 | |
| | Less : Interest on fixed deposits (1) | -1,550.00 | |
| Less: Adjustments to inventory (2) | Work in Progress | -25,555.00 | |
| | Raw Materials | <u>-34,675.00</u> | |
| Total adjustments | | | <u>-46,020.00</u> |
| Total assets subject to zakat | | | <u>162,656</u> |
| | Percentage of assets subject to Muslim ownership | 85% | 138,258 |
| | Zakat on Business | 2.5% | 3,456.44 |

Note:

(1) Islam prohibits riba (usury)/interest

(2) Only "completed" stock available for trade is zakatable

(3) Dividend payable is considered a financial liability and thus not deducted from current assets. There was also no dividend paid during the year.

(4) Nisab is not applicable on zakat on business