

## Illustration on Ta'widh (compensation) for Sale-Based Financing

### 1. Illustration of Ta'widh (compensation) for Late Payment (before maturity date)

Product	:	CMTF-i
Principal	:	RM500,000.00
Selling Price	:	RM646,304.15 (based on BFR+4%)
Installment Amount	:	RM10,162.14
Payment Due Date	:	7 <sup>th</sup> of the month
Prevailing Profit Rate (PPR)	:	BFR + 1.50% = 8.10% p.a.
Ta'widh (Compensation)	:	1% (before maturity date)

- 1) Formula for ta'widh on overdue installment(s) is as follows:

$$\text{Overdue Installment(s)} \times \text{Ta'widh Rate} \times \text{No. of Overdue day(s)} / 365$$

Example computation of ta'widh for the month of April 2011:

$$RM10,162.14 \times 1\% \times 30 / 365 = RM8.35$$

- 2) Customer fails to pay monthly installments for the month of April, May and June 2019. In the month of July 2019, customer makes payment for the overdue installments including the installments for the current month. The calculation for the ta'widh re as per the following table:

On the date	Balance Overdue Installment (RM)	No. of Overdue Days (days)	Ta'widh 1% p.a. RM
07.04.2019 – 06.05.2019	10,162.14	30	8.35
07.05.2019 – 06.06.2019	20,324.28	31	17.26
07.06.2019 – 06.07.2019	30,486.42	30	25.06
<b>TOTAL</b>		<u>91</u>	<u>50.67</u>

- 3) The total Ta'widh (compensation) amount (RM50.67) charged is recorded in the income statement as 'Other income'.

### 2. Illustration of Ta'widh (compensation) for Late Payment (after maturity date)

Product	:	CMTF-i
Outstanding Balance	:	RM549,358.53
Selling Price	:	RM646,304.15 (based on BFR+4%)
Payment Maturity/Due Date	:	07/04/2019
Prevailing Profit Rate (PPR)	:	BFR + 1.50% = 8.35% p.a.
Ta'widh (Compensation)	:	Actual loss or up to IIMM% (after maturity date)

- 1) Formula for ta'widh on overdue principal is as follows:

$$\text{Outstanding Balance} \times \text{Ta'widh Rate} \times \text{No. of Overdue day(s)} / 365$$

Example computation of ta'widh for the month of April 2011:

$$RM549,358.53 \times 2.68\% \times 30 / 365 = RM1,210.09$$

- 2) Customer fails to pay the outstanding principal due of MR549,358.53 on the maturity date 07/04/2019. In the month of July 2019, the customer makes payment for the overdue principal. The calculation for the ta'widh are as follows:

On the date	Balance Overdue Installment (RM)	No. of Overdue Days (days)	Ta'widh	
			IIMM Rate (% p.a.)	IIMM Cost (RM)
07.04.2019 – 06.05.2019	549,358.53	30	2.68	1,210.09
07.05.2019 – 06.06.2019	549,358.53	31	2.65	1,236.43
07.06.2019 – 06.07.2019	549,358.53	30	2.99	1,350.07
<b>TOTAL</b>		<u>91</u>		<u>3,823.09</u>

- 3) The total ta'widh (compensation) amount (RM3,823.59) is recorded in the income statement as 'Other income'.

### 3. Illustration of Ta'widh (compensation) for Late Payment (Post Judgement)

Product	:	CMTF-i
Outstanding Balance	:	RM549,358.53
Outstanding Principal	:	RM440,741.26
Judgement Date	:	07/04/2019
Late Payment Charge	:	4% (as determined by rules of court)
Ta'widh (compensation)	:	Actual loss or up to IIMM%

- 1) The formula for late payment charge on post judgement debt is as follows:

$$\text{Judgement Sum} \times \text{Late Payment Charge} \times \text{No. of Overdue day(s)} / 365$$

Example computation of late payment charge for the month of April 2011:

$$RM549,358.53 \times 4.00\% \times 30 / 365 = RM1,806.11$$

- 2) The formula for ta'widh on post judgment debt is as follows:

$$\text{Judgement Sum} \times \text{IIMM}\% \times \text{No. of Overdue day(s)} / 365$$

Example computation of ta'widh for the month of April 2011:

$$RM549,358.53 \times 2.68\% \times 30 / 365 = RM1,210.09$$

- 3) The formula for gharamah on post judgment debt is as follows:

$$\text{Late Payment Charge} - \text{Ta'widh}$$

Example computation of gharamah for the month of April 2011:

$$1,806.11 - 1,210.09 = RM596.02$$

- 4) Assuming the judgement date was 7 April 2019, the judgement sum awarded was RM549,358.53 and the late payment charge imposed by the court is 4%. The final settlement of the judgement debt was made on 21 June 2019. The calculation for the late payment charges, ta'widh and gharamah are as follows:

On the date	Judgement Sum (RM)	No. of Overdue Days (days)	Late Payment Charge 4% p.a.	Ta'widh		Gharamah
				IIMM Rate (% p.a.)	IIMM Cost (RM)	
07.04.2019 – 06.05.2019	549,358.53	30	1,806.11	2.68	1,210.09	596.02
07.05.2019 – 06.06.2019	549,358.53	31	1,866.31	2.65	1,236.43	629.88
07.06.2019 – 20.06.2019	549,358.53	14	842.85	2.99	630.03	212.82
<b>TOTAL</b>		<u>75</u>	<u>4,515.27</u>		<u>3,076.55</u>	<u>1,438.72</u>

- 5) The total gharamah amount (RM1,438.72) **received** is recorded in the notes to accounts as the source of fund to be channeled to charitable organization(s). The total ta'widh amount (RM23,076.55) is recorded in the income statement as 'Other income'. The total amount of late payment charge (RM4,515.27) has not exceeded the outstanding principal (RM440,741.26)