

Faculty of Islamic Economics and Finance Semester I, 2019/2020 Academic Session

Final Examination Question Paper

Course Code : BF 1203

Course Name: Transactions in Islamic Banking & Finance

Course Level: First Degree

Programmes: Bachelor of Science in Islamic Finance &

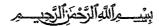
Bachelor of Business Management

Year : 2

Time : 3 hours

Note(s):

- 1. This examination is divided into two (2) sections and carries a total of 60 marks.
- 2. Write ALL of your answers in the Answer Booklet provided.
- 3. Section A: Answer ALL questions, consists of Short Response Question which carries 30 marks.
- 4. Section B: Answer **THREE** questions, consists of Case Study Question which carries 30 marks.
- 5. Candidates are not allowed to take the Answer Booklet out of the examination venue.



SECTION A: ANWERS ALL QUESTIONS (TOTAL: 30 MARKS)

- a) Briefly explain the salient Shariah issues associated with the (5 marks) contemporary application of *Murabahah* contract in Islamic banking products.
- b) Discuss the essential conditions of *Rahn* and its application in (5 marks) contemporary Islamic finance.
- C) The contract of currency exchange involves an exchange of a (5 marks) ribawi item for a ribawi item. Enumerate the examples of contemporary application of this contract and explain the strict Shariah requirements prescribed for its application.
- d) The parties in a *mudarabah* contract are *mudarib* and *rabb al-* (5 marks) *mal*. Discuss the role of both the parties in a mudarabah contract and give an example of one Islamic finance product that uses this concept.
- e) Wadiah can be classifed into two types which are wadiah yad (5 marks) amanah and wadiah yad damanah. State the distinct features of both and its application in Islamic financial institutions.
- f) What is the difference between a contract and a mere promise / (5 marks) wa'd? Discuss the views from the justists regarding the effect and the bindingness of a unilateral and bilateral wa'd and example application in Islamic finance product.

SECTION B: ANSWER THREE (3) QUESTIONS (TOTAL: 30 MARKS)

Question 1 (10 marks)

One of the latest innovative products of Islamic financial institutions (IFIs) is the Islamic hire-purchase or *Al-Ijarah Thumma Al-Bay* (AITAB) facility which is designed to meet the current demand and avoid certain risks in the financing of consumer durables and motor vehicles. AITAB can be utilized to finance a wide range of assets, either for individual or corporate customers. Since its first inception more than 20 years ago, AITAB has gradually grown in popularity and continuously expanded partly due to the heightened demand by customers. Please discuss the concept and mechanism of AITAB in IFIs.

Question 2 (10 marks)

Wakalah contract is one of the Shariah principles which has been approved by the majority of Muslim jurists. Wakalah plays an important role in the Islamic financial industry, where customers come to the financial institution and appoint the financial institution as agent (wakil) to do a transaction. Today, wakalah can be applied into various fields, including economic field, especially in the case of financial institutions. Please discuss the implementation wakalah in IFIs.

Question 3 (10 marks)

Tawarruq is commonly item that has been utilized by the IFIs in Brunei Darussalam after Bay Bithaman Ajil (BBA) has been getting an enormous censured by the scholars exterior Brunei Darussalam. The concepts of tawarruq brings same as inah where tawarruq contains all the disallowed affections, such as the contracted meaning of inah, express usury, credit, sale of debt, transfer of debt, purchase, or offer of nasiah, buying something at a stamped up prices, and offering something to the primary dealer or to some person else at a price lower than the initial buy cost. Please discuss the modus operandi of tawarruq in IFIs.

Question 4 (10 marks)

Which of the following statements are true / false?

No	Description	True / False
1.	Communication of acceptance to an offer is not possible through conduct of the offeree.	
2.	Aqd means a contract that would bind the parties who have entered into that contract with full consent.	
3.	A contract must always be bilateral, that is, comprising of two parties.	
4.	An offer is always an expression from someone to sell something to the other party.	
5.	Deliverability of the subject matter is not a requirement to render a contract valid.	
6.	Islamic ethics permits charging rent on money.	
7.	In Islamic finance, exchanging gold for silver in excess is permitted and delay in exchange is prohibited.	-
8.	Unlike <i>riba</i> , some <i>gharar</i> is acceptable in Islamic framework.	
9.	According to rules of exchange of <i>bay al-sarf</i> , and equal and instant exchange is mandatory when exchanging any asset with the same kind of asset.	
10.	The Shariah permits lotteries in which no one has a personal right or stake	

Question 5 (10 marks)

A. Choose the most suitable contract or product for the description given. You will need to choose from the following: Financial Murabahah, Musharakah Mutanaqisah, Istisna or parallel Istisna, Salam and Musharakah.

No	Description	Product or contract
1.	Financing house under construction	
2.	The bank desires to avoid storage cost in providing consumer financing under a sale contract	
3.	An investor in a business venture wishes to participate in the management of the business venture	
4.	Customers seek to buy the ownership of a house progressively	
5.	Advance payment to set the delivery in the future to hedge the risk of market risk	

B. Which of the following activities are permissible for Islamic equity investors to invest in? Please stated permissible activities or non-permissible activities.

No	Description	Permissible or non-permissible
6.	Tobacco manufacturing	
7.	Computer manufacturing	
8.	Conventional Bank	
9.	Film Distributor	
10.	Automobile manufacturer	

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