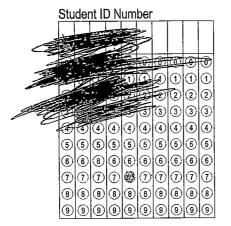
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Important Marking Instructions

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 Make marks that fill bubbles completely
- Example
- · Erase unwanted marks cleanly
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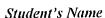
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Islamic Banking & Finance (Course: BA 351)

Gulf University for Science & Technology
First Midterm Exam
22nd Feb. 2017

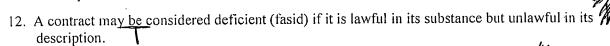






True / False Questions

- 1. All valid contract are Jaiz (revocable).
- Any contract which contains an element of uncertainty that leads to future dispute is an invalid contract. (4)
- 3. We as adults enjoy both receptive legal capacity (ahliyyah al-wujub) and active legal capacity (ahliyyah al-'ada).
- 4. Like minor Gharar minor Riba is tolerable.
- 5. All valid contracts are Lazim (irrevocable).
- 6. If the uncertainty in a contract doesn't lead to future dispute then it is minor Gharar.
- 7. It is not a condition for the validity of the *murabahah* contract that the buyer knows the original cost price of the commodity or the additional profit that has been added by the seller
- 8. The amount of profit for each partner under *musharakah* must be determined in proportion to the capital invested by the partner.
- 9. A unilateral contract is binding for the person who makes it as well as on the person in whose favor it has been made.
- 10. Classification of contract according to its legal consequences puts emphasis on the extent of validity or binding nature of the contract.
- 11. All Nafith (enforcible) contracts are valid contracts.



- 13. The terms "void contract" and "voidable contract" are identical so they can be used interchangeably.
- 14. Batil contract can be repaired/fixed to make it Sahih.
- 15. The rationale behind the prohibition of any business transaction that involves speculative element is to avoid unnecessary risk-taking which will eventually lead to disputes between the contracting parties.

- 16. Speculative contracts which contain uncertain elements constitute the second major prohibition of contracts under the Sharī'ah.
- 17. Riba al-nasi'ah relates to a trading transactions while riba al-fadl relates to loan transactions.
- 18. Lease contract is considered an impractical mode of financing in modern Islamic banking and finance and does not represent a genuine alternative to the charging of interest.
- 19. In the event of losses under *musharakah*, the entrepreneur loses his/her labour and the financier loses the capital.
- 20. All types of Gharar are prohibited under Islamic Law.
- 21. The resolution of Islamic Fiqh Academy cannot be considered one of the main sources of Sharī'ah (Islamic law) that constitute the basis of Islamic banking and finance.
 - 22. There are basically two types of *riba—riba al-nasi'ah*, which is the interest on lent money, and *riba al-fadl*, the unequal exchange of homogenous rabawi commodities.
 - 23. In Islam, business is business. Profit-making comes first before anything else.
 - 24. Islam establishes the need to lawfully acquire property and validates all measures and policies towards the protection of such right.
- 25 A contract is deemed valid when it is concluded with an effective offer and acceptance and the parties have the legal capacity to do so irrespective of the nature of the subject matter.
- 26. Islamic Development Bank was the first fully-fledged Islamic commercial bank in in the world established 1975 in Dubail
- 727. Dual banking system is a banking system of a country or a territory that incorporates both conventional and Islamic financial systems.
- 28. 'Sources and application of funds' refers just to the cash inflows in an Islamic bank or financial institution over a period of time.
 - 29. Islamic financial institutions are not permitted to charge fees, commissions or fixed charges for their services.
 - 30. All banks with dual banking arrangements manage their Islamic funds freely along with their conventional funds without any need for segregation of funds.
 - 31. Investment deposits are risk-free funds which does not yield any return.
 - 32. *Mudarabah* is the sale of a commodity at the cost price at which it was purchased plus an additional profit which has been mutually agreed by the parties.

33. Istisna' is a transaction on an already existed (manufactured) commodity.



- 34. A salam contract can be defined as a contract of sale where the seller agrees to supply specific goods to the buyer on a deferred basis in exchange of an advanced price fully paid on the spot, The second of the
- 35. The hadith "gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates... hand to hand..." implies that trade in currency is not permissible in Islamic law.

Multiple Choices Questions

- 36. The following mode(s) of transactions were prevailing during the Prophet's lifetime:
 - a) shirkah (partnership) based on profit and loss sharing (PLS)
 - b) al qard al hasan (benevolent loan)

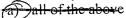
c) salam (forward) contract

all of the above

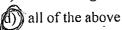
37. Among the many destructive outcomes of Qimar/gambling is/are the following:

hostility and hatred is usually generated among the players destruction of the source of families' livelihood of

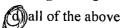
c) turning the players away from the remembrance of Allah and to neglect fundamentals of Islamic pillars such as the five canonical prayers.



- 38. The following items are major components of Islamic banking and finance EXCEPT:
 - a) Islamic banking,
 - takaful (insurance)
 - stock Exchange capital markets
- 39. The Islamic banking component of Islamic financial services may be:
 - a) fully fledged Islamic banks,
 - b) Islamic subsidiaries
 - c) 'windows' of conventional banks.
 - Albof the above
- 40. The pillars (arkan) of contract in Sharī'ah include:
 - a) place of the contract
 - witnesses to the contract subject matter of contract
 - date of the contract
- 41. International bodies dedicated to enhancing Islamic finance industry include:
 - a) the International Islamic Financial Market (IIFM)
 - b) Islamic Financial Services Board (IFSB)
 - accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI)



- 42. Examples of Islamic non-bank financial institutions include:
 - a) Islamic leasing companies,
 - b) Islamic microfinance institutions,
 - c) waqf management institutions,



- 43. All financing in Islamic banking and finance can be conveniently classified under:
 - a) sharing modes
 - b) sale modes
 - c) leasing modes
 - any of the above modes
- 44. All of the following are examples of unlawful earnings except:
 - a) short-measures in trade through underweight
 - b) hording to inflate prices at a later period
 - earning through musharakah mode of finance
 - d) money-lending that involves usury
- 45. The legal consequences of a contract may result in a(n):
 - valid contract (Sahih)
 - b) invalid or deficient contract (Fasia)
 - c) void contract (Batil)
 - (d) any of the above
- 46. A contract that is lawful in its substance but unlawful in its description is considered:
 - a) binding contract
 - deficient contract
 - c) void contract
 - (d) none of the above
- 47. Which one of the following is not an element of a valid sales contract?
 - a) offer and acceptance
 - b) subject matter
 - witnesses.
 - d) consideration or price
- 48. The power to sell is denied in the following circumstances in order to avoid elements of uncertainty (Bai' al-Gharar)
 - a) things which, as the object of a legal transaction, do not exist.
 - b) things which exist but which are not in possession of the seller or the availability of which may not be expected
 - things which are exchanged on the basis of uncertain delivery and payment.

 all of the above

| 49. | "A contract among two or more persons involving the exchange of money or other valuables depending upon the uncertain outcome of a staged event" is: a) gharar qimar qimar c) musharakah d) Bai' |
|----------|---|
| 50 | Types of legal capacity in a contract (ahliyyah) ahliyyah al-wujub and ahliyyah al-ʻada b) ahliyyah al-wujub and ahliyyah al-fard c) ahliyyah al-ʻada and ahliyyah al-fard d) none of the above |
| Fill | the blanks |
| 1. | All contracts should be free from, major Gharar and gambling (qimar). The four elements of a valid contract of sale are, subject |
| _ | All loans, debts); but not all debts are loans. |
| 4. 🤇 | All annhom are Charar; but not all Charar are Cambling |
| 5. (| an agreement among parties concluded through an offer and acceptance with the consequences of binding legal obligation. |
| 6. | Wauf, ibra', hibah, wa'ud, and tabarru' contracts are categorized as contracts. |
| 7. | contract is an unenforceable contract that is invalid from the very beginning, which cannot be remedied by addressing any missing element in such transaction. |
| <u> </u> | in the world established 1975. It operates five main business groups: retail banking, corporate banking, real estate, investment banking, and proprietary trading investments. |
| 9. | The waiving of one's financial right or ownership that is owed to him/her in totality or partially is known as: |
| 10. | Islamic banks use their funds in 3 modes: (sharing) modes. |
| | 3.5 |

Short Answer questions

Answer only 2 questions with not less than 50 words (discipline-specific).

- 1. Expain the difference between Jaiz and Lazim contracts.
- 2. Discuss the difference between Mudaraba and Musharaka in terms of profit, loses and management. 3.
- 3. Discuss Musharaka Mutanaqisa/ diminishing Musharakah.
- 4. What is Legal Capacity in a Contract?
- 5. Name the major four components of the Islamic banking and finance industry.
- 6. List the names of the Unilateral Supporting contracts.

| 7. What is the meaning of <u>fungible</u> and <u>us</u> | <u>ufruct</u> ? Discuss. |
|---|---------------------------------------|
| 2) Musharaka is one | some one or two parties one of them |
| has the money and | the other one will do the effort |
| | was with the menent if the business |
| | of them will Shave the profit |
| | had some Joses bath of them |
| - will lose they show | re the prafix and losaina. In the |
| Mudanba one of to | to partied will give the other |
| the money to do bus | iness in the case if the business |
| Joses and the reason | w was not making effort from |
| one of the parties th | on he she will lose alone without |
| the person who your | the money and try to make up |
| for him. In Mush | a rate a they both Show lasking |
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| Share the games but | the 10 ses the person who did not |
| make the effort will | I handle it alone |
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