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جامعة الخليج GUST Gulf University
العلوم والتكنولوجيا 1999 2007 for Science & Technology

Student Name Gust KWT

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Important Marking Instructions

- Make marks that fill bubbles completely
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- Erase unwanted marks cleanly
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Islamic Banking & Finance (Course: BA 351)
Gulf University for Science & Technology
First Midterm Exam
1st June. 2017

Student's Name _____

ID No. _____

True / False Questions

- F 1. *Ijarah Muntahiya Bitamlik* transactions are concluded under one contract.
- F 2. If the uncertainty in a contract doesn't lead to future dispute then it is minor Gharar.
- F 3. A unilateral contract is binding for the person who makes it as well as on the person in whose favor it has been made.
- F 4. Both the *mudarib* and *rab al-mal* in the partnership contract are active partners in the day-to-day running of the business.
5. Asset-backed financing is one of the main fundamentals of Islamic banking and finance industry.
6. *Waqf* management institutions are good example of Islamic non-bank financial institutions.
7. All valid contracts are Lazim. F
8. Any contract which contains an element of uncertainty that leads to future dispute is an invalid contract. F
9. We as adults enjoy receptive legal capacity (*ahliyyah al-wujub*) but not active legal capacity (*ahliyyah al-'ada*). T
10. Classification of contract according to its legal consequences puts emphasis on the extent of validity or binding nature of the contract. T
12. A contract may be considered deficient if it is lawful in its substance but unlawful in its description.
13. The terms "void contract" and "voidable contract" are identical so they can be used interchangeably.
14. Islamic banks use loans for fund utilization.
15. Ethics is not one of the main fundamentals of Islamic banking and finance business.

16. The resolution of Islamic Fiqh Academy cannot be considered one of the main sources of Al Shari'ah (Islamic law) that constitute the basis of Islamic banking and finance. **F**
17. There are basically two types of *riba*—*riba al-nasi'ah*, which is the interest on lent money, and *riba al-fadl*, the exchange of superior goods with more inferior ones. **T**
18. The form of *riba* prohibited in the Qur'an is *riba al-fadl*, the exchange of superior goods with more inferior ones.
19. The rationale behind the prohibition of any business transaction that involves speculative elements is to avoid unnecessary risk-taking, which will eventually lead to disputes between the parties. **T**
20. *Bay al-salam* is specifically meant to facilitate the commercial activities of manufacturers, traders, and investors.
21. Islam establishes the need to lawfully acquire property and validates all measures and policies towards the protection of such right.
22. While *riba al-nasi'ah* relates to trade, *riba al-fadl* relates to loans. **F**
23. 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.
24. Islamic Development Bank was the first fully-fledged Islamic commercial bank in the world established 1975 in Dubai. **T**
25. Charging additional amount for the delay of payment to the principal of a loan is Riba but charging additional on debt is not.
26. Fees, commissions and fixed charges are not permitted for Islamic banking or finance services performed by either a corporate body or an individual.
27. Investment deposits are risk-free funds which does not yield any return.
28. *Murabahah* 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.
29. 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.
30. *Istisna'* is a transaction on an already existing (manufactured) commodity.
31. Speculative contracts which contain uncertain elements constitute the second major prohibition of contracts under the Shari'ah. **T**
32. *Riba* is forbidden in Islam due to its resultant harmful economic and social effects.

33. *Riba al-nasi'ah* relates to a trading transactions while *riba al-fadl* relates to loan transactions. F
34. Sale contracts are speculative or uncertain contracts which involve excessive risks.
- F 35. All types of *Gharar* contracts are lawful financial contracts thus are permitted in Islamic Law. F
- F 36. *Tabarru'* is a unilateral contract where a reward or commission is promised for the accomplishment of a specific task.
37. *Hibah* is a process where a person dedicates his property to God for the benefit of a specific class of people in society or for the whole public. F
38. Islamic bank will be inclined to use *ibra'* when it appears that the debtor is not able to redeem the debt.
- F 39. *Wadi'ah yad al-damanah* refers to safe-keeping with the guarantee of funds or property deposited.
40. The two major types of *kafalah* (guarantee) in Islamic law are *kafalah bi al-nafs* (physical guarantee) and *kafalah al-manfa'a* (usufruct).

Multiple Choices Questions

41. The pillars (*arkan*) of contract in Sharī'ah include:
- place of the contract
 - witnesses to the contract
 - subject matter of contract
 - date of the contract
42. International bodies dedicated to enhancing Islamic finance industry include:
- the International Islamic Financial Market (IIFM)
 - Islamic Financial Services Board (IFSB)
 - accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI)
 - all of the above
43. Examples of Islamic non-bank financial institutions include:
- Islamic leasing companies,
 - Islamic microfinance institutions,
 - waqf* management institutions,
 - all of the above

44. All financing in Islamic banking and finance can be conveniently classified under:
- sharing modes
 - sale modes
 - leasing modes
 - any of the above modes
45. The rule in *fiqh al-mu'amalat* is that all transactions are permissible as long as they:
- are not tainted with prohibited gain
 - do not involve usury, deception, speculation, and undue profits
 - do not engage prohibited items
 - all of the above
46. All of the following are examples of unlawful earnings except:
- short-measures in trade through underweight
 - hoarding to inflate prices at a later period
 - earning through musharakah mode of finance
 - money-lending that involves usury
47. Which of the following statements is true?
- Wa'ad* is a bilateral undertaking and *muwa'adah* is a unilateral undertaking
 - Wa'ad* is a unilateral undertaking and *muwa'adah* is a bilateral undertaking
 - Both *wa'ad* and *muwa'adah* are bilateral undertakings
 - None of the above
48. The legal consequences of a contract may result in a(n):
- valid contract (*Sahih*)
 - invalid or deficient Contract (*Fasid*)
 - void contract (*Batil*)
 - all of the above
49. A contract that is lawful in its substance but unlawful in its description is considered:
- binding contract
 - deficient contract
 - void contract
 - none of the above
50. Which one of the following is not an element of a valid sales contract?
- offer and acceptance
 - subject matter
 - witnesses
 - consideration or price
51. The following mode(s) of transactions were prevailing during the Prophet's lifetime:
- shirkah* (partnership) based on profit and loss sharing (PLS)
 - al qard al hasan* (benevolent loan)
 - salam* (forward) contract
 - all of the above

52. Among the many destructive outcomes of Maisir or Qimar is/are the following:
- hostility and hatred is usually generated among the players
 - destruction of the source of families' livelihood of
 - turning the players away from the remembrance of Allah and to neglect fundamentals of Islamic pillars such as the five canonical prayers.
 - all of the above
53. The following items are major components of Islamic banking and finance EXCEPT:
- Islamic banking,
 - takaful* (insurance)
 - stock Exchange
 - capital markets
54. The Islamic banking component of Islamic financial services may be:
- fully fledged Islamic banks,
 - Islamic subsidiaries
 - 'windows' of conventional banks.
 - all of the above
55. _____ is not a major component of the Islamic banking and finance industry.
- Islamic banking
 - conventional insurance
 - Islamic capital markets
 - Islamic non-bank financial institutions
56. The power to sell is denied in the following circumstances in order to avoid elements of uncertainty (Bai' al-Gharar)
- things which, as the object of a legal transaction, do not exist.
 - 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
57. "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:
- gharar*
 - qimar*
 - musharakah*
 - Bai'*
58. Types of legal capacity in a contract (*ahliyyah*)
- ahliyyah al-wujub and ahliyyah al-'ada*
 - ahliyyah al-wujub and ahliyyah al-fard*
 - ahliyyah al-'ada and ahliyyah al-fard*
 - none of the above*

59. Classical examples of *gharar* mentioned in the Sunnah include contracts of sale for the following:

- a) newly born calf
- b) fish in the sea
- c) ripe fruits in the market
- d) all of the above

60. The waiving of one's financial right or ownership that is owed to him/her in totality or partially is known as:

- a) 'tabarru'
- b) 'ibra'
- c) hibah
- d) wa'ad
- e) tabarru'

Fill the blank questions

1. The fundamentals of Islamic banking and finance business are: interest-free, ethical, Asset based and partnership investment (PLS).
2. Speculative contract is a speculative contracts which contain uncertain elements. The power to sell is denied in the following circumstances in order to avoid uncertainty: when the subject matter don't exist, not possessed by the seller, or the delivery of which is uncertain. Gharar
3. All Qimar is Gharar but not all Gharar is Qimar. (Qimar or Gharar)
4. Riba is where a commodity is sold on a cash basis; the seller immediately repurchases the same commodity on a deferred payment basis at a price higher than the initial cash price. Imnah
5. The Malaysian Pilgrims Savings Board, *Tabung Haji* of 1969 (managing savings of prospective pilgrims by investing in Shari'ah-compliant investments). Malaysia
6. Shari'ah defines man-to-God and man-to-man relationships. Shari'ah
7. batil contract is an unenforceable contract that is invalid from the very beginning, which cannot be remedied by addressing any missing element in such transaction.
8. DI B is the first fully-fledged Islamic world commercial bank established in 1975. Operates five main business groups: retail banking, corporate banking, real estate, investment banking and proprietary trading investments.
9. Fasid is a transaction where the basis of the contract itself is valid but there are defects in its attributes that make it invalid and thus unenforceable under the Shari'ah. Fasid
10. Riba is interest on delayed payment. An unjustifiable increase for the deferment of repayment of a loan, mentioned in the Qur'an. Riba

3

Riba
AL Nasbia
6

Short Answer questions

Answer only two questions

- 1 - Discuss about one of the following organizations: IDB, DIB, Tabung Haji
- 2 - Explain the difference between Jaiz and Lazim contracts.
- 3 - What are the four pillars (*arkan*) of Shar'ah Contracts?
- 4 - What is Legal Capacity in a Contract?
- 5 - Name the major four components of the Islamic banking and finance industry.
- 6 - Describe the three models of Islamic banking in practice today around the globe.
- 8 - Discuss the difference between Raib al-Fadl and Riba al-Nassia.

4

Refers to the fitness of an individual for the law to apply to his action. The parties subject to the Islamic contract need to be legally knowledgeable and must not be insolvent, of unsound mind, a minor, intoxicated, or prodigal.

The parties in the contract should not be under force or duress. The contract will be rendered null and void if any of the preceding conditions apply.

5 The four major components are

- ① Islamic banking
- ② Takaful
- ③ Islamic Capital Market
- ④ Islamic non bank financial institutions

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