

THE INSTITUTE OF BANKERS PAKISTAN
ISQ Examination (Summer-2011)
ISLAMIC BANKING AND FINANCE

- Q.1** Please write the alphabet of the selected choice in the answer column:
- Q.2** State True or False in the answer column.
- Q.3** A) Define and explain conditions for a Valid Sale (Bai) according to Shariah.
- Q.3** B) What is Kayar. Explain at least four types of Kayars.
- Q.4** A) How is Shariah Compliant Ijarah different from conventional lease. Identify the differences.
- Q.4** B) A Housing Finance Company which undertakes conventional housing finance is planning to convert its operations into Shariah compliant operations. Suggest a mechanism through which outstanding housing finance loan is converted into Shariah compliant financing.
- Q.5** Consider yourself as Internal Shariah Auditor. You came across an Ijarah transaction of Rs. 50 million with M/s ABC Transporters for the leasing of trucks. Following is the chronology of the transaction.

November 10, 2010	Preparation of Lease Agreement along with Rentals Schedule after adjustments for Takaful cost. Quotation was obtained from the Takaful company for this purpose.
November 11, 2010	Execution of Ijarah Agreement.
November 12, 2010	Disbursement to Assembler of Rs. 50 million.
December 11, 2010	Payment of first Ijarah rental
December 31, 2010	Year end of the Bank and recording of income on the transaction
January 10, 2011	Delivery of trucks by Assembler's dealer directly to the client

January 11, 2011	Client informs the Bank about the delivery
January 11, 2011	Bank obtains Takaful from the designated Takaful company.
January 11, 2012	After expiry of Takaful after one year, the Takaful company informs the Bank that due to the change in economic conditions Takaful rate has been increased from the previously quoted rate. Relationship Manager contacts the client and informs that rentals need revision. Client refuses to revise the rentals.

- A) Are there any flaws(Shariah, Accounting as per IFAS-II or Commercial) in the transaction? If yes, please identify them. What could have been done to avoid these flaws.
- B) Assume yourself as the RM for ABC Transporters. What steps/ improvements should be taken to avoid situation arising on January 11, 2012, in future.

Q.6 Suggest Shariah compliant structure for following types of financings. Describe reason(s) for selecting the mode of finance.

- A) Financing for purchase of Furnace Oil by an Independent Power Producer located in Upper Sindh. Oil is transported through oil tankers from Karachi to upper Sindh by PSO.
- B) Financing to Farmers for cultivation of cotton.

Q.7 How are deposits managed in an Islamic Bank. Explain with the help of an example.

Q.8 What is Sukuk. How can GOP use Sukuk structure for undertaking infrastructure projects in Pakistan.

Q.9 Islamic banks are spreading across the globe. You are required to give arguments in favour of Islamic banks.

Q.10 How does Islamic Banking differ from conventional banking?
