

ISQ Examination - Winter- 2012
Islamic Finance - Stage- III

- Q. a. State the difference between Murabaha and Sale.
- b. Explain parallel Salam
- c. What are the investment avenues for an Islamic Income Fund?
- Q. a. What is Qard?
- b. What is Amanah?
- c. What is the difference between Qard and Amanah?
- d. Under what facility would a current account fall in Islamic Banking?
- Q. Consider an Islamic Bank where total Investment is Rs. 90 million. This amount is raised by both the depositors and shareholders.
- Investment by depositors: Rs. 60 million
Investment by shareholders: Rs. 30 million
It has been agreed that the shareholders as managing partners will get 1/3 of the profit and the remaining will be distributed according to the investment proportion between depositors and shareholders as per the Modarabah contract
Consider the bank has made a profit of Rs. 18 million.
- a. Allocate the profit between the shareholders and depositors as per Modarabah agreement.
- b. In what capacity both the shareholders and depositors will receive profit?
- Q. a. State the factors of production in the Islamic economic system and state their roles.
- b. How do the factors of production in the Islamic economic system differ from the same in capitalist economic system.

- Q. Suggest the best Islamic alternate(s) and proposed transaction process for the following types of financings. Describe reason(s) for selecting the mode of finance.
- a. Financing farmers under Agricultural financing scheme of Islamic Banks.
 - b. Financing unemployed youths to assist them in ownership of taxis.
- Q. a. ABC Engineering Works wants to purchase machines for its manufacturing business. How can an Islamic Banker assist them in financing of the machine through the Murabaha agreement? Explain the concept and the process of financing.
- b. Is a roll-over for further period allowed in a Murabaha transaction? Why or why not?
- Q. Islamic Financial Accounting Standard-1 (IFAS-1) has been adopted by Islamic Banks under which Murabahah is recorded differently from conventional financing. How does IFAS-1 require Islamic Banks to maintain the Murabahah Transaction Process flow documents.
- Q. What are the basic elements of a valid sale? Explain with the help of examples.
- Q. Briefly explain the basic steps involved in a Diminishing Musharakah transactions in Islamic banks for Housing finance.
- Q. International Fertilizer Company is setting up a new fertilizer plant worth PKR 2 billion in New Industrial Zone. the company is in the agri business for last 25 years and is one of the major producer of fertilizers including urea, nitrogen based products and specialized crop-based fertilizers.

The annual sales of the company is PKR 3 billion rupees and is expected to reach PKR 5 billion after the completion of the new facility. the company will be investing 800 million rupees in the new venture and remaining financing will be arranged on the basis of Islamic mode of financing.

The latest feasibility report presented in the Board of Directors meeting shows that the funds needed for expansion are allocated in the following heads:

Plant & Machinery	700 million
Delivery Trucks fleet	100 million
Office Building Purchase	100 million
Gas Generators	100 million
Factory Land	400 million
Salaries	100 million
Factory Overhead	100 million
Advances to utility companies	100 million
Raw Material procurement from suppliers	140 million
Fuel Charges	60 million
Cash	100 million

Total	2000 million
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The company is looking for 60% Islamic financing with a long term financing share of 60%

Required:

You as an Islamic banker are being asked to provide the company a structured solution for using the best mode of financing possible.

- a. Develop a financing plan for the company based on the Islamic modes of financing and identify the best possible modes for the customer need and give brief justification for the selection of each mode.
- b. What precautions you will advise to the company and to your bank to avoid common mistakes in the financing under Islamic modes?
- c. What challenges do you foresee in this project from an Islamic bank point of view?
