



Islamic Finance

The sample questions are related to the JAIBP Specialization course “*Islamic Finance*”. The students are advised to thoroughly read the exam guidelines and the syllabus guide for this course before start studying for the paper. The questions are shared to give an idea to the student about the paper format and types of questions. For further information visit the IBP website www.ibp.org.pk

Multiple Choice Questions

Each MCQ carry one and half mark.

- Q1.** In a trading transaction, an act of reversal of a sale transaction where both parties freely consent to cancel the transaction is called
- A. Iqala. (Answer)
 - B. Sale.
 - C. Jahalah.
 - D. Khiyar.
- Q2.** Which of the following explains Ijmah:
- A. word of Quran
 - B. application of recognize rule of shariah
 - C. Consensus of scholars of ummah (Answer)
 - D. Hadith
- Q3.** In which type of *Musharakah*, the partners have no investment at all, but they use their credit worthiness to undertake their business?
- A. Shirkat-ul-Milk
 - B. Shirkat-ul-Aamal
 - C. Shirkat-ul-'Aqd
 - D. Shirkat-ul-Wujooh (Answer)



Constructed Response Question

Each CRQ carry five marks.

Question:

- A.** What is an Islamic Contract (Aqd')? **(1 Mark)**
- B.** Briefly explain any FOUR essential elements of Islamic Contract (Aqd'). **(4 Marks)**

Answer

Part-A

An Aqd' or contract is a Bilateral Agreement that is executed between two or more parties.

Part-B

Four essential elements required to constitute a valid Aqd are.

1. Contractors (Mutaa'qidain)
2. Wording of contract (Alfaz e Aqd)
3. Subject Matter (Ma'qood Alaih)
4. Consideration (Ma'qood Bi'hi)



Extended Response Question

Each ERQ carry ten marks.

Question:

- A. Identify TWO differences between salam and istisna through examples. **(4 Marks)**
- B. Identify the parties involved in “Simple Istisna” and “Parallel Istisna”. **(2 Marks)**
- C. Identify any TWO risks present in Istisna financing and suggest their mitigation. **(4 Marks)**

Answer

Part-A

a. Salam

1. Can be done on manufactured things – construction of property and infrastructure.
2. Contract can only be cancelled before the completion of manufacturing. Parties have right to rescind the contract if either cannot agree to significant variation from contractual specification.

b. Istisna

1. Can be done for commodities / agriculture.
2. Contract cannot be cancelled unilaterally, only in case of variation of product usually in case of inferior quality.

Part-B:

1. Simple Istisna

Infrastructure projects are the main examples of istisna' application. This includes: construction of power plants, factories, roads, schools, hospitals, building and residential developments. The parties to an istisna' contract are: The Producer or Manufacturer; the Bank (i.e. the financier); and the Customer (i.e. purchaser of goods)

2. The parallel istisna' involves:

The customer (the buyer); the Islamic bank (the seller); and the manufacturer (in some cases it can also involve sub-contractors), where the buyer can obtain financing from the Islamic bank.

Part-C:

1. Risks:

- **Delivery:** Delay in delivery of goods from the manufacturer to the bank.
- **Non-performance:** Manufacturer does not produce the goods and denied further processing.

2. Mitigation

- **Delivery:** Istisna price can be reduces on daily basis to penalize the manufacturer



- **Non-performance:** Termination of Istisna agreement and demand the price back. Also, price can be made in installments after being satisfied by the performance.

