



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
MARCH 2024 SEMESTER**

COURSE CODE	: EBB20503
COURSE NAME	: ISLAMIC FINANCIAL PRODUCTS AND SERVICES
PROGRAMME NAME	: BACHELOR OF BUSINESS ADMINISTRATION (HONS) IN ISLAMIC FINANCE
DATE	: 6 JULY 2024
TIME	: 9.00 AM – 12.00 PM
DURATION	: 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Please **CAREFULLY** read the instructions given in the question paper.
2. This question paper has information printed on both sides of the paper.
3. This question paper consists of **(40)** MCQ and **(2)** Essay questions.
4. Answer **ALL** questions.
5. Please write your answers on the OMR answer script and answer booklet provided.
6. All questions must be answered in **English** (any other language is not allowed).
7. This question paper must not be removed from the examination hall.

THERE ARE TEN (10) PAGES OF QUESTIONS, INCLUDING THIS PAGE.

SECTION A: (40 Marks)**40 MCQ QUESTIONS****INSTRUCTION: Answer ALL questions.**

1. ----- is a contract to sell a non-existent asset that is to be constructed, built or manufactured according to agreed specifications and delivered on a specified future date at a predetermined price.
 - A. Tawarruq
 - B. Salam
 - C. Istisna'
 - D. BBA
2. ----- is lease contract with option of asset ownership transfer from lessor to lessee.
 - A. Operating Lease
 - B. Financial Lease
 - C. Ijārah al-'Amal
 - D. Ijārah al-'Ayn
3. Musharakah Mutanaqisah consist of three contracts namely:
 - A. Musharakah, Ijarah, and purchase
 - B. Musharakah, Ijarah, and Sale
 - C. Murabahah, Ijarah, and tawarruq
 - D. Musharakah, Ijarah, and murabahah
4. Which of the following statement about Kafalah contract is not TRUE
 - A. The guarantor shall be accepted by the beneficiary.
 - B. The subject matter shall be Sharīah compliant.
 - C. The guarantor shall not be accepted by the beneficiary.
 - D. The subject matter can be current or future obligation.
5. Islamic banks are required to grant ibra for the following cases EXCEPT:
 - A. early settlement/redemption
 - B. restructuring exercise
 - C. settlement in case of default
 - D. for variable/floating rate product, if effective rate = ceiling rate

6. Which one of following is NOT true about BBA:
- A. Payment of price is deferred.
 - B. Time and mode of payment should be ascertained.
 - C. Need to state the cost price and amount of mark-up.
 - D. Long-term financing.
7. Al-Ijarah Thumma Al Bai (AITAB) is a financing which involves two separated contacts:
- A. Hire and purchase contracts
 - B. Hire and sale contracts
 - C. Sale and Purchase contracts
 - D. Sale and agency contracts.
8. ----- requires detailed credit assessment i.e. risk identification and mitigation.
- A. Personal financing
 - B. Car financing
 - C. working capital financing
 - D. Cashline financing
9. Which of the following activities cannot be financed using working capital financing:
- A. Primary production project.
 - B. Manufacturing.
 - C. Equipment's replacement.
 - D. Trading and marketing activities.
10. Working capital financing aims to finance:
- A. Investment activities
 - B. Operational activities
 - C. Financing activities.
 - D. Fixed assets.}
11. Which of following is not true about working capital financing:
- A. It is short-term financing.
 - B. It has no fixed tenure.
 - C. Bank's charges are based on utilized amount.

- D. Used to finance less than RM30,000}
12. What is net working capital for a company with projected stocks of RM1000,000, projected debtors of RM400,000, and projected creditors of RM800,000.
- A. RM1,400,000
 - B. RM600,000
 - C. RM200,000
 - D. RM2,200,000
13. Which one of the following statements is not true about Murabahah Working Capital Financing (MWCF-i)
- A. Financing shall be affected upon receipt of original invoices.
 - B. The Bank will finance invoices or documents raised by the customer.
 - C. The WCF-i drawn must cover a bona fide transaction i.e. import of merchandise.
 - D. The bills must be received direct from our agent bank.}
14. ----- a facility offered to a customer for the financing of his cash purchase/import at sight
- A. Murabahah Working Capital Financing
 - B. Bai' Al-Dayn Working Capital Financing
 - C. Bridge Financing
 - D. Infrastructure Financing}
15. It is not of working capital financing risks:
- A. Credit risk
 - B. Inventory risk
 - C. Market risk
 - D. Industry risk
16. The purpose of Capital Expenditure Financing is:
- A. finance the capital cost of setting up or replacement/ acquisition of fixed assets.
 - B. To finance the company's operations.
 - C. To finance infrastructure projects.
 - D. To finance working capital requirement on transactional basis}

17. Infrastructure/project Financing classified as:
- A. Revolving financing.
 - B. Term financing or revolving financing.
 - C. Term financing or overdraft financing.
 - D. Revolving financing or overdraft financing.
18. Cost overrun is one of critical risk factors that will be considered in case of:
- A. Working capital financing
 - B. Capital expenditure financing
 - C. Infrastructure financing
 - D. Seasonal financing.
19. What is the finance service coverage ratio (FSCR) for a project that required investment of RM700,000, cost of fund of RM200,000, and generated cash flow of RM1,000,000.
- A. 1.25%
 - B. 1.11%
 - C. 1.50%
 - D. 0.80%
20. Inability to recover defaulted accounts is called:
- A. Default risk
 - B. Market risk
 - C. Recovery risk
 - D. Funding mismatch risk}
21. Risk of inability of counterparty to perform its contractual obligations is called:
- A. Credit Risk
 - B. Market Risk
 - C. Liquidity Risk
 - D. Operational Risk
22. ----- is risk of losses due to changes in market rates such as changes in prices of commodity, benchmark rates, foreign exchange rates, equity price.
- A. Credit Risk
 - B. Market Risk

- C. Liquidity Risk
 - D. Operational Risk
23. ----- is risk of inability to raise funds at desired cost or without incurring loss.
- A. Credit Risk
 - B. Market Risk
 - C. Liquidity Risk
 - D. Operational Risk
24. Which of the following is example of credit risk:
- A. Non-compliance to Shariah requirements.
 - B. Non-acceptance of goods by customers.
 - C. Price movement.
 - D. Exchange rate movement.
25. Non-compliance to Shariah requirements is example of
- A. Credit Risk
 - B. Market Risk
 - C. Liquidity Risk
 - D. Operational Risk
26. Which of following is NOT of shariah governance framework model for Islamic financial institutions?
- A. Board risk management committee.
 - B. Shariah committee.
 - C. Shariah Advisory committee.
 - D. Board audit committee.
27. Trade transaction between two parties from different countries that involved dealings in different currencies and application of international laws or rulings for contract entered
- A. International trade
 - B. Local trade
 - C. Regional trade
 - D. Domestic trade.

28. The changes of importers' country regulations is an example of
- A. Political risk
 - B. Commercial risk
 - C. Regulatory risk
 - D. Financial risk
29. The lucrative income that Islamic banks get from offering trade financing products is combination of:
- A. Fees, interest, and forex income.
 - B. Fees, interest, and financing income.
 - C. Fees, financing income, and forex income.
 - D. Forex income, compensation, and financing income.
30. Which of the following is NOT Islamic trade financing products:
- A. Bank Guarantee-I
 - B. Shipping Guarantee-I
 - C. Bankers Acceptance
 - D. Accepted Bills-I
31. The Guidelines on Export Credit Refinancing launched in 1977 by:
- A. Security commission.
 - B. Ministry of Finance .
 - C. Bank Negara Malaysia.
 - D. Bursa Malaysia.
32. The following are financial documents used in international trade EXCEPT:
- A. Bill of Exchange (Draft).
 - B. Demand Draft.
 - C. Promissory Note.
 - D. Bill of lading.
33. Islamic trade finance products classified to:
- A. Cash and non-cash facilities
 - B. Debt and sale facilities
 - C. Cash and sale facilities
 - D. non-cash and debt facilities

34. Which of the following is an example of Islamic trade finance Cash facilities:
- A. Letter of Credit-i
 - B. Bank Guarantee-i
 - C. Shipping Guarantee-i
 - D. Accepted Bills-i
35. The following statements are TRUE about letter of credit-i EXCEPT:
- A. LC-i issuance is restricted to goods that are permissible under Sharī'ah.
 - B. Bank earns commission (Ujr') upfront during issuance.
 - C. Governed under Uniform Customs and Practice (UCP600).
 - D. LC-i is a funded (cash) product.
36. ----- is bridging loan that provides a mean of financing to buyer / importer to draw funds for settlement of their sight importation / purchases of raw material for manufacturing or for sale.
- A. Trust Receipt-i
 - B. Bank Guarantee-i
 - C. Shipping Guarantee-i
 - D. Accepted Bills-i
37. In a back-to-back, Letter of Credit (LC-i) transaction:
- A. There are two separate and independent LC-i's.
 - B. The "master/mother" LC must state it is a Back-to-Back LC-i.
 - C. The financial standing of the End-Buyer/Applicant under the "master/mother" LC-i is an important consideration for a Middleman's bank to issue the Back-to-Back LC-i.
 - D. The Bank issuing the Back-to-Back LC on behalf of the Middleman does not have a payment obligation to the Ultimate Supplier/Beneficiary of the Back-to-Back LC-i
38. Which of the following is true regarding AB-i Purchase:
- A. Based on Bai al dayn.
 - B. Non-Funded product.
 - C. Not tradable in the secondary market.
 - D. Based on Murabahah (cost plus).

39. Identify the wrong statement regarding the Accepted bills-I:

- A. Used to financing export activities only.
- B. Tradable in the secondary market.
- C. Used to finance the export and import activities.
- D. Financing operations are guided by BNM.

40. Which of the following is not of risk management process:

- A. identify the risk.
- B. Analyze the risk.
- C. Eliminate the risk.
- D. Evaluate the risk

(Total: 40 marks)

SECTION B: (60 Marks)**INSTRUCTION: Answer ALL questions.****Please use the answer booklet provided.****Question 1**

- a) Islamic banks provide various products and services to support trade financing, one of which is called Accepted Bills-i. You are required to explain the Accepted Bills-i purchase. The explanation must include:

- i. Islamic contract used to provide the product. (5 marks)
- ii. Product characteristics. (9 marks)
- iii. Product structure. (6 marks)

- b) Dual banking system of Malaysia creates a competitive environment where an innovative product provides advantages for banks. Explain **FIVE (5)** external customer-related factors that impact the price of financing.

(10 marks)

(Total: 30 Marks)**Question 2**

- a) Mr Helmi wanted to purchase a house for his family using Shariah compliance. He went to the Islamic bank in Kuala Lumpur and asked the employer of the bank related to his request. Explain the suitable financing facility under Islamic bank for Mr Helmi.

(20 marks)

- b) Ms Sarah is one of the CEO of the Halal food company. He needed a fund as capital to expand his business. He went to Islamic financial institutions and asked for funding. Determine the essential features of equity-based financing that suitable for Ms Sarah.

(5 marks)

- (c) Many bankers and their regulators are comfortable in taking the view that Murabah is a synthesized loan or form of debt. Compare the differences between the Murabaha sale and the loan of money.

(5 marks)

(Total: 30 Marks)**END OF EXAMINATION PAPER**