CONFIDENTIAL

UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
OCTOBER 2024 SEMESTER

COURSE CODE	:	EGB30603
COURSE NAME	:	ISLAMIC FINANCIAL SYSTEM
PROGRAMME NAME	:	BACHELOR OF SCIENCE (HONS) IN ANALYTICAL ECONOMICS
DATE	:	14 FEBRUARY 2025
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 **TWO (2) Sections; Section A and Section B**.
4. Answer **ALL** questions in **Section A and Section B**.
5. Please write your answers on the 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 FOUR (4) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

SECTION A (Total: 60 marks)

INSTRUCTION: Answer ALL questions.
Please use the answer booklet provided.

Question 1

The exchange-based contracts can be divided into two main categories, namely, sale-based contracts and lease-based contract that comply to the *Shari'ah* principles. The Figure 1 below shows the structure of an exchange-based contract.

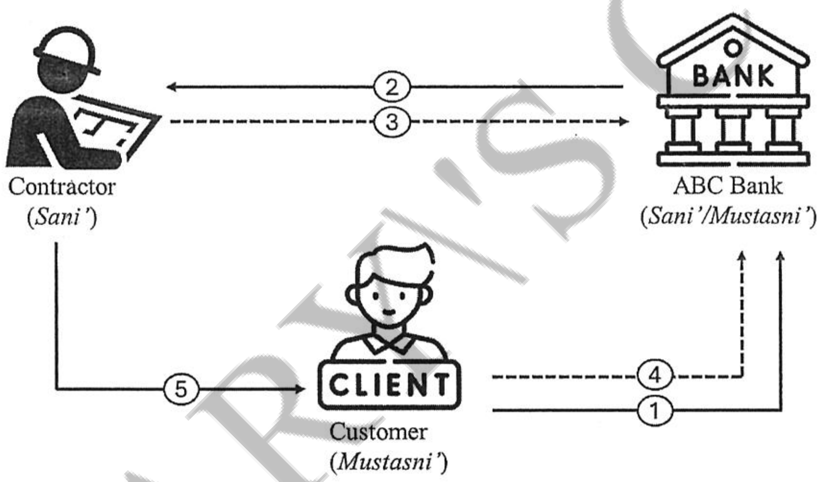

Figure 1: The Structure of an exchange-based contract

a) Define *Shari'ah* literally and technically.

(4 marks)

b) Identify name of the exchange-based contract in Figure 1. Justify your answer.

(4 marks)

c) Explain the relationship between:
   i. Customer and ABC Bank
   ii. ABC Bank and Contractor

(4 marks)

d) Identify the FIVE (5) higher objectives of Islamic law (*Maqasid Shari'ah*).

(5 marks)

e) List the conditions of sale of debt to a non-debtor on a cash basis. Provide THREE (3) conditions.

(6 marks)

Question 2

a) The figure 2 below shows the structure of Islamic Accepted Bills (IAB).

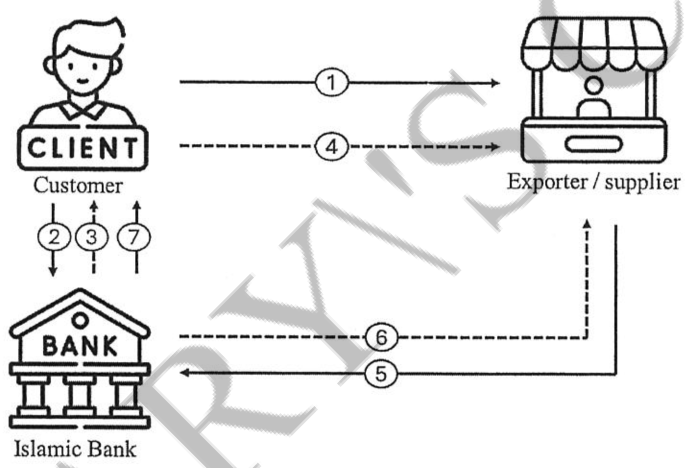

Figure 2: The structure of Islamic Accepted Bills (IAB)

i. Define Islamic acceptance bills and explain the purpose of this financing tool.

(4 marks)

ii. Identify the TWO (2) types of Islamic acceptance bills and explain the basic Islamic principles for each type of Islamic acceptance bills.

(6 marks)

iii. Based on Figure 2, explain what happen during the FIFTH (5) and SIXTH (6) sequence.

(4 marks)

b) Explain THREE (3) comparison between Islamic money market and conventional money market.

(6 marks)

c) Explain the function of the Profit Equalisation Reserve (PER) used in Mudarabah Interbank Investment with appropriate EXAMPLE.

(4 marks)

Question 3

a) Explain why conventional insurance is not accepted by the Shariah. Give TWO (2) reasons with TWO (2) explanations for each reason provided.

(6 marks)

b) Identify THREE (3) Takaful stakeholders.

(3 marks)

c) Explain TWO (2) benefits of Retakaful to the Takaful operator.

(4 marks)

SECTION B (Total: 40 marks)

INSTRUCTION: Answer ALL questions.
Please use the answer booklet provided.

Question 4

The risks facing the Islamic financial institutions (IFIs) are different than those of their conventional counterparts due to the contractual nature of the Islamic financial products. Discuss in detail, FIVE (5) risks faced by Islamic financial institutions that arise due to different nature of IFIs.

(20 marks)

Question 5

The Global Financial Crisis of 2007-2009 raised many questions about the stability of the current financial system. An Islamic financial system could be a viable alternative, although it is not free from its own shortcomings. However, Islamic finance industry is seen as a subset of the conventional financial instruments and Islamic finance industry faces more challenges than conventional system due to its reliance on *Shari'ah* teachings. Examine FIVE (5) strategy for growth and competitiveness of the Islamic financial institutions.

(20 marks)

END OF EXAMINATION PAPER