



UNIVERSITI KUALA LUMPUR BUSINESS SCHOOL

FINAL EXAMINATION
JANUARY 2016 SEMESTER

SUBJECT CODE : ISLAMIC CAPITAL MARKET
SUBJECT TITLE : EBB30103
LEVEL : BACHELOR
TIME : 2.00 PM - 5.00 PM
DURATION : 3 HOURS
DATE : 18th MAY 2016

INSTRUCTIONS TO CANDIDATES

1. Please read the instructions given in the question paper CAREFULLY.
2. This question paper is 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.
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 THREE (3) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.



SECTION A (Total 40 Marks)

INSTRUCTION: Answer ALL questions

Please use the answer booklet provided

1. Similar to the structure of conventional money market, Islamic money market has three components, discuss the three components of the Islamic money market.

(9 marks)

2. Compare and contrast the Islamic Interbank Money Market (IIMM) with its conventional counterpart.

(4 marks)

3. Compare and contrast a sukuk with a conventional bond.

(7 marks)

4. Describe some of the advantages to the firm by being listed.

(4 marks)

5. Evaluate an equity investment from the Shariah viewpoint.

(6 marks)

6. Briefly explain some differences between the Dow Jones Shariah screening filter and that of the Malaysian SAC.

(8 marks)

7. Discuss the unique risks associated with Islamic money market.

(2 marks)

Total 40 marks

SECTION B: (Total: 60 Marks)

INSTRUCTION: Answer ALL questions

Please use the answer booklet provided

Question 1

Islamic Bank A (IBA) takes a 90 day Mudarabah Interbank Investment deposit from Islamic Bank B (IBB). The face value of the deposit is RM10million. The PSR is 70:30. Assuming the gross profit declared by IBA on a one year deposit is 4.5% annualized, determine the total amount that IBA is obliged to pay IBB on day 91. The Government Investment Certificate rate (GIC) is 3.0%.

(10 marks)

Question 2

Given the following information, calculate the redemption amount (RA) as a result of an interbank deposit transaction.

- Principal amount - RM 50 million
- 3 month KLIBOR - 4.8% (annualized)
- Tenor of deposit - 60 days (2 months)

(10 marks)

Question 3

If a bond has 7 years to maturity with a face value of RM 1, 000 and a required yield of 8.5% and it is 10% coupon paid annually, what would its price of the bond be? Is the bond selling at a premium or discount to face value? Why is this so?

(10 marks)

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Question 4

A company has a reported net income of RM 12 million and 60 million shares outstanding.

- 1) Estimate the stock's market price if the price earning (P/E) ratio is 14.0.
- 2) What is the company's value by market capitalization?

(10 marks)

Question 5

- 1) Given the following information, determine the correct price of the stock.

Last dividend = RM 2.00

Required return = 14%

Expected grow rate of dividend = 4% for the foreseeable future.

- 2) Suppose you purchased a stock at the price you computed in (1) above. If the firm subsequently faces financial distress, causing the required return to increase by an additional 3%, what is the stock's new price likely to be?

(10 marks)

Question 6

Below are five (5) possible sale prices and its probabilities for Sukuk Al-Ijara

| Scenario | Potential Sale Price | Probability |
|----------|----------------------|-------------|
| 1 | RM 130 million | 0.15 |
| 2 | RM 115 million | 0.20 |
| 3 | RM 95 million | 0.45 |
| 4 | RM 80 million | 0.10 |
| 5 | RM 70 million | 0.10 |

Calculate the expected sales price for this sukuk.

(10 marks)

Total: 60 marks

END OF QUESTION PAPER

