

LEVEL 3
CERTIFICATE IN ISLAMIC FINANCE

**ISLAMIC FINANCE QUALIFICATION
(VERSION 10)**

TIME ALLOWED: 2 HOURS

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How to use this sample paper

These 100 questions should be answered in two hours in the real exam, so make sure you time yourself accurately.

Record your answer for each question by circling your selected answer.

When you have finished the test, you may check your answers against the **Answer Sheet** at the back of this paper.

The exam is scored as follows:

91-100	Pass with
Merit 70-90	Pass
0-69	Fail

For those questions you answered incorrectly, the answer sheet will show you the corresponding syllabus element, sub element and learning objective against which the questions were written, so you can identify any syllabus areas where you may need to revise further.

1 Under Shariah, which of the following is FALSE regarding unilateral contracts?

- A A unilateral contract requires prior acceptance of the recipient
- B A unilateral contract can contain an element of Gharar
- C A gift is a unilateral contract
- D A will, giving the deceased's assets to a beneficiary, is a unilateral contract

2 How does Gharar normally arise under a conventional insurance policy?

- A The insurer creates a claims pool without knowing how quickly it will run down
- B The insurer transfers a portion of the risk to a reinsurer without telling the policyholders
- C The insured pays a premium without being able to predict what benefit he will receive for it
- D The insured pays a premium without knowing whether it will increase in the future

3 A and B are partners in a Musharaka contract, with A contributing 60% of the capital and B contributing 40%.

Profits are shared in the ratio 55% / 45% respectively. If a loss of US\$80,000 is incurred, how much of this loss will NORMALLY be borne by A?

- A None
- B US\$44,000
- C US\$48,000
- D US\$80,000

- 4 Trading in certain classes of derivatives is likely to fall into which key prohibited area under Shariah law?
- A Riba al-Naseeyah
 - B Riba al-Fadl
 - C Qimar
 - D Sarf
- 5 Under the AAOIFI framework, the Accounting Unit Concept specifically means that an Islamic bank can:
- A maintain its assets in one Special Purpose Vehicle and its liabilities in another
 - B move funds from one part of the organisation to another without automatically transferring any of the associated liabilities
 - C operate its assets and liability as a separate entity from its owners
 - D set up as a series of operational departments, each having no direct financial link with each other
- 6 It is difficult to provide Unrestricted Investment Account holders with the same level of information as is provided to Restricted Investment Account holders, due primarily to the issue of:
- A fund co-mingling
 - B client confidentiality
 - C commercial risk
 - D corporate governance

7 The primary purpose of Arboon is to act as:

- A a refundable deposit
- B a non-refundable deposit
- C an allocation of profits
- D an allocation of losses

8 Which of the following is NOT a sale contract?

- A Salam
- B Istisn'a
- C Mudarab
a
- D Murabah
a

9 In a typical Commodity Murabaha transaction, the Islamic bank, whilst placing funds with another bank:

- A starts off by acting as principal, then eventually acts as agent
- B starts off by acting as agent, then eventually acts as principal
- C acts as principal throughout the entire process
- D acts as agent throughout the entire process

- 10** In respect of the financial screen, it is generally accepted that the financial ratio representing interest bearing deposits, should be less than what threshold percentage of total market capitalisation?

A 5%
B 10%
C 25%
D 30%

- 11** A profit rate swap is being arranged between two parties using a series of short-dated reverse Commodity Murabaha in conjunction with a long-dated fixed rate Commodity Murabaha.

When will the obligation under the Wa'd typically cease?

A At the end date of the first short-dated Murabaha
B Shortly before the end date of the first short-dated Murabaha
C At the start date of the long-dated Murabaha
D At the end date of the long-dated Murabaha

- 12** A Mudaraba contract is being established where the initial capital required will be \$400,000 in total. If the profits are to be divided between the Rab al Mal (70%) and the Mudarib (30%). What proportion of the initial capital is the Mudarib obliged to provide?

A None
B A minimum of 30%
C A minimum of 40%
D A minimum of 70%

- 13** When calculating the underwriting surplus in a Takaful, an amount of \$620,000 was deducted in respect of technical provisions.

This is primarily intended to cover the cost of:

- A** future claims
- B** reinsurance facilities
- C** capital reserves
- D** investment services

- 14** Leasing arrangements under a Sukuk al Istisna incorporate a forward lease in addition to a finance lease.

This is because the forward lease enables payment to the:

- A** investors prior to the completion of the asset
- B** construction company by instalments
- C** nominated counterparty on the periodic distribution date
- D** commodity seller in advance of delivery

- 15** Which of the following scenarios is the BEST example of Wa'd?

- A** X promises to give his computer to Y if Y will agree to exchange it for a washing machine
- B** X promises to sell his shares to Y if Y will promise to pay him US\$20,000 in six months' time
- C** X makes a unilateral promise to sell his house to Y within eight weeks for a price of US\$200,000
- D** X makes a bilateral promise to sell his car to Y in one month's time for US\$5,000 and Y promises to buy it for that price at that time

- 16 When an Islamic bank appoints a Shariah Supervisory Board (SSB), which of the following activities will the SSB NOT undertake?
- A Issuing fatawa regarding banking operations
 - B Monitoring the Shariah compliance of the bank's products
 - C Working with the bank's audit committee to review contract documentation
 - D Monitoring the profitability of the investment account holders' funds
- 17 Assuming the bank, as Mudarib, acts in accordance with the investment contract, restricted investment account holders are in the same position as members of a conventional collective investment scheme, in that:
- A cash flow rights will always be problematic
 - B reserves will always be called upon
 - C control rights will not arise
 - D information rights will not include the statement of total return
- 18 The trailing 24-month average market capitalisation, applied to the financial screening under the Dow Jones Islamic Market Index, is applied for what specific purpose?
- A To reduce volatility
 - B To absorb currency movement
 - C To allow for inflation
 - D To spread tax liabilities

19 Letters of credit are commonly used under which of the following types of Islamic contract?

- A** Musharaka
- B** Ijara Mawsoofa Bil Thimma
- C** Parallel Istisn'a
- D** Salam

20 A Sukuk al Ijara project has reached the stage where the government has sold rights, interests, title and benefits to certain assets described in a Supplemental Purchase Agreement.

The next stage of the process is to:

- A** register the assets under trust in accordance with the trust deed
- B** lease the assets back in accordance with the lease agreement
- C** sell the assets to the investors in accordance with the service agency agreement
- D** manage the assets in accordance with the purchase undertaking

21 A government wishes to raise money to build infrastructure. How does it go about it under a Sukuk al Ijara?

- A** It contacts individual investors directly
- B** It asks a bank to contact investors on their behalf
- C** It asks a bank to underwrite the issue
- D** It employs a trustee to look after the funds

22 If a difficult issue is resolved based on Ijtihad, this means that a solution was found by using:

- A** a primary reference from the Quran
- B** the consensus of independent jurists
- C** the assignment of an existing rule
- D** a scholarly interpretation of textual evidence

23 An Islamic financial institution has just discovered that a company it holds investments in has realigned its strategy, thus making those investments ineligible.

Which body should the institution promptly notify?

- A** The Accounting and Auditing Organisation for Islamic Financial Institutions
- B** The General Council for Islamic Banking and Financial Institutions
- C** The fund's Shariah Supervisory Board
- D** The Islamic Financial Services Board

24 A general principle governing contracts in Islamic law is that:

- A** actions are judged by outcomes
- B** permissible transactions are limited to those that are stated in classical texts of Fiqh
- C** it is always necessary to obtain proof that a particular transaction is acceptable
- D** liability justifies return

- 25** To comply with IFRS, an Islamic bank accounted for a particular expense based on the day it was incurred rather than on the day it was settled.

This type of approach is normally described as:

- A** single entry accounting
 - B** double entry accounting
 - C** accrual accounting
 - D** cash accounting
- 26** Where the capital is collateralised by the underlying asset, this indicates that the Sukuk is:
- A** asset-guaranteed
 - B** asset-enhanced
 - C** asset-backed
 - D** asset-based
- 27** It is generally agreed that the concept of two sales in one forbids:
- A** combining contradictory contracts
 - B** combining separate contracts
 - C** separating value added contracts
 - D** separate dealings with a third party

- 28** Under a Murabaha agreement set up as an instalment credit sale, the buyer failed to make payment until 28 days after the due date, causing the bank to levy an extra £200 charge even though its extra costs were only £150.

The £50 excess **MUST** therefore be:

- A** held as a credit against a future transaction
- B** forwarded to the original seller
- C** treated as an additional mark-up
- D** donated to charity

- 29** Twin sales are prohibited because they:

- A** are speculative
- B** promote price uncertainty
- C** are akin to loans
- D** defer payment

- 30** Why are Restricted Investment Account Holders (RIAHs) provided with risk-related information at outset, whereas Unrestricted Investment Account Holders (UIAHs) are not?

- A** RIAHs are exposed to a much higher level of risk
- B** Only RIAHs know the asset allocation in advance
- C** UIAHs are deemed to be less risk averse
- D** Only UIAHs have an asset allocation that varies

31 Debt for debt would involve:

- A** the repayment of one debt and the issuing of another
- B** multiple debts issued to the same person by multiple parties
- C** one debt being passed from person to person
- D** issuing a new debt to increase an existing debt

32 Which one of the following actions is the BEST example of loan-Riba?

- A** X lends \$5,000 to Y and Y pays back \$5,500 to X six months later
- B** X gives 50 boxes of dates to Y and Y pays back 60 boxes of raisins to X three months later
- C** X gives a quantity of gold to Y and, in exchange, Y gives a quantity of silver to X
- D** X lends his car to Y in exchange for Y lending his van to Z

33 Person X is using bank Y to acquire a car from company Z through the operation of an Ijara contract.

Therefore:

- A** X will acquire ownership of this car on a shared basis
- B** Y will receive an income stream from X
- C** X will pay rent to Z
- D** Z will retain ownership of the car

34 Shariah compliant products are:

- A** completely available around the world
- B** only available in Muslim countries
- C** strictly forbidden in non-Muslim countries
- D** under development in non-Muslim countries

35 Seller S entered into a Medina Sale with Buyer B. Buyer B gave Seller S a deposit. Before Seller S could deliver the goods to Buyer B, Seller S fell ill and was hospitalised over the time when Seller S should have delivered the goods. What happens to the contract by law?

- A** Seller S is obliged to carry out the delivery of goods and will be liable for Buyer B's inconvenience in sourcing the goods elsewhere
- B** Buyer B is obligated to purchase from Seller S, despite Buyer B having to source the goods from elsewhere until Seller S comes out of hospital
- C** Neither party are obligated to purchase or sell in this situation and Buyer B is entitled to receive back his deposit
- D** Both parties are obligated to carry out the terms of the contract, despite being in hospital and Seller S should nominate someone to deliver the goods to Buyer B

36 X undertakes to sell his car to Y for 20,000 dinars during the next month.

Y undertakes to buy this car for 20,000 dinars during the next month; this type of arrangement is BEST described as a:

- A** unilateral promise
- B** joint venture
- C** transfer contract
- D** bilateral promise

- 37** Under a 20 year diminishing Musharaka agreement, a home is bought for \$200,000 with the bank and the client initially paying 70% and 30% respectively, followed by rental payments from the client.

After five years the client refuses to pay any more rent. In these circumstances, the bank is normally entitled to:

- A** replace the Diminishing Musharaka with a Mudaraba
 - B** evict the client, then lease the property to another client
 - C** evict the client, then sell the property and retain all the profits
 - D** evict the client, then sell the property and give the client part of the profit
- 38** Which of the following contractual features indicates that it is an Istisna contract rather than a Salam contract?
- A** The goods being delivered are in the form of copper and zinc
 - B** The terms of the contract cannot be amended
 - C** The delivery will take place on a specific date
 - D** The price is payable in six separate instalments
- 39** Corporate governance of the Takaful undertaking for policyholder X is focusing more on underwriting performance than asset management performance.

This indicates that the policy is:

- A** written under a Mudaraba contract
- B** a general insurance
- C** a high risk investment
- D** not Shariah-compliant

- 40** X agrees to sell a building to Y for \$50,000 today and Y simultaneously agrees to sell it back to X for a payment of \$55,000 in three months' time.

In accordance with Shariah, this type of arrangement:

- A** is automatically classed as prohibited
 - B** requires the use of a third party holding account
 - C** requires the use of a separate bilateral agreement
 - D** is automatically classed as a valid bilateral contract
- 41** Trading in which of the following products is NORMALLY classed as Haram?
- A** Cars
 - B** Intoxicants
 - C** Cosmetics
 - D** Sportswear
- 42** Islamic hedge funds have used a Salam contract to achieve the equivalent of a short position, by:
- A** offsetting an immediate sale against a deferred sale
 - B** offsetting an immediate purchase against a deferred purchase
 - C** making advance payments against forward asset purchases
 - D** making advance payments against synthetic sales

- 43** A fund manager using the Wakala fund management structure has received remuneration in addition to the fee for the investment services provided.

This indicates that:

- A** commissions have been paid when investing in equity funds
 - B** profits have exceeded a pre-agreed anticipated rate
 - C** the Mudarib fee has been increased
 - D** the investor has been provided with legal services
- 44** When providing work in progress financing for a major capital project, which contract would NORMALLY be used?
- A** Salam
 - B** Istisn'a
 - C** Ijara wa Iqtina
 - D** Musharaka
- 45** Ali is considering becoming a policyholder in a life Takaful fund managed by the Islamic Insurance Group.

If he does so, which of the following is FALSE?

- A** His contributions will be based on his age, occupation and other factors
- B** His contributions will be divided between the underwriting and investment funds according to his specified death benefit and personal characteristics
- C** The balance on his investment account will reflect his contributions credited to the investment fund and his share of the profits earned by the fund
- D** When the policy matures on his retirement date, he will receive a retirement annuity of a pre-agreed amount

46 One of the key functions of a Parallel Salam is to prevent the financier from:

- A** reneging on the original Salam
- B** experiencing delivery risk
- C** operating as an agent
- D** experiencing ownership risk

47 Fund manager X is permitted to use futures and options, whereas fund manager Y is NOT permitted to do so.

This is because only fund manager Y is managing:

- A** an equity fund
- B** an Islamic fund
- C** an overseas fund
- D** a commodities fund

48 Takaful is based on the general principle of:

- A** co-insurance
- B** mutuality
- C** stop loss
- D** indemnity

- 49** Where a lease is established under an Ijara Mawsoofa Bil Thimma in relation to the acquisition of a piece of agricultural equipment, the lease may be re-priced mid-term in the event of:
- A** a significant increase in general inflation
 - B** a poor payment record by the lessee
 - C** a decrease in the price of agricultural equipment
 - D** a second lease being established between the same two parties
- 50** An Ijara contract involves selling:
- A** a debt for a lump sum consideration
 - B** the usufruct of an asset
 - C** one currency in exchange for another
 - D** a property on a staggered basis
- 51** One of the key reasons why corporate governance presents additional challenges for Islamic banks, when compared to conventional banks, is that:
- A** all such matters must be individually approved in advance by the IFSB
 - B** avoiding conflicts of interest needs to be treated as the top priority
 - C** a different type of stakeholder needs to be accommodated
 - D** there is significantly less transparency involved

- 52 In order to achieve Shariah compliance, which of the following contracts can BEST be used as an alternative to formal currency market transactions?
- A Ijara wa Iqtina
 - B Ijara Muntahia Bitamleek
 - C Murabaha
 - D Istisn'a
- 53 In which country was the first central Shariah supervisory board established by the central bank?
- A Pakistan
 - B Dubai
 - C Malaysia
 - D Oman
- 54 The advisory role of the Shariah Supervisory Board is often made more effective where the institution has already referred an issue to their:
- A in-house Shariah specialist
 - B internal auditor
 - C local AAOIFI specialist
 - D external auditor

- 55 In respect of the financial screen, it is generally accepted that the financial ratio, representing total interest plus income from non-compliant activities, should be less than what threshold percentage of total income?

A 5%
B 10%
C 25%
D 30%

- 56 Person X, who owes US\$100,000 to Person Y, entered into a contract with a third party in order to guarantee this debt.

What is this type of contract NORMALLY known as?

A Rahn
B Sarf
C Hawal
a
D Kafala

- 57 A late delivery in an Istisna'a contract will lead to which of the following actions?

A A court action by the client against the manufacturer
B The payment of penalties agreed in advance
C The cancellation of the contract
D The replacement of the manufacturer with another

- 58 One of the key differences between a Murabaha sale and a loan of money, is that only the Murabaha:
- A involves the banker taking ownership
 - B can be assigned to a third party
 - C involves the use of an indemnity guarantee
 - D can be transferred from one country to another
- 59 One of the key reasons why a Special Purpose Vehicle is used when issuing Sukuk, is to prevent:
- A holders from being exposed to market risk
 - B income streams from becoming excessively volatile
 - C trade creditors from making a claim on the assets
 - D assets from becoming subject to Zakat obligations
- 60 Why are Islamic accounting standards beneficial to the Islamic banking industry?
- A They cater for the distinctive nature of Islamic finance
 - B They are easier to understand
 - C The level of risk that is reported is lower
 - D It means IFRS standards can be ignored

61 Which of the following arrangements is the BEST example of Riba al-Fadl?

- A Borrowing £1,000 and paying back £1,200 in one month's time
- B Exchanging a quantity of gold for a larger quantity of gold
- C Making a gift of a car to a friend
- D Offering 10 hours of labour free of charge to a relative

62 John is building a block of flats and has appointed Khalid as his agent to buy a crane from Hassan on credit.

Which of the following statements is TRUE?

- A Even if Khalid fails to inform Hassan that he is acting as John's agent, Hassan can still claim his money from John
- B If Khalid fails to inform Hassan that he is acting as John's agent, Hassan can only claim his money from Khalid
- C Even if Khalid informs Hassan that he is acting as John's agent, Hassan can still claim his money from Khalid
- D If Khalid informs Hassan that he is acting as John's agent, Hassan can still seek payment from Khalid if John defaults

63 An investment fund is considering investing in a company that has conventional debt of \$26m and total market capitalisation of \$74m.

Based on AAOIFI standards, this normally means that the fund:

- A must operate with an expanded Shariah Supervisory Board
- B must obtain a third-party guarantee or letters of credit
- C would obtain full financial screening clearance
- D would be deemed to be making an unacceptable investment

- 64 Which of the following BEST describes the work of AAOIFI in the Islamic banking and finance industry?

Their role is to:

- A prove that the banking and finance sectors can be regulated by Islamic principles
 - B introduce common documentation across the industry
 - C develop uniform Shariah, governance and accounting standards for the industry
 - D adapt contemporary banking and finance concepts to Islamic banking and finance
- 65 For a company with total revenues of £100m, to be acceptable under the Islamic financial screen for Shariah compliance, usually it must receive haram income including interest income of no more than which of the following amounts?
- A £33m
 - B £20m
 - C £10m
 - D £5m
- 66 Which of the following actions is MOST likely to breach the Islamic principle of sincerity?
- A Allowing the buyer to determine the merits of the product
 - B Telling lies in order to sell a product
 - C Selling a product which has a negative influence on society
 - D Making inadequate charitable distributions

67 Debt for debt transactions are forbidden because such contracts are made without:

- A** tangible possession
- B** conditional obligations
- C** a payment date
- D** a delivery date

68 Islamic funds **MUST** be managed on the basis of:

- A** a Mudaraba contract only
- B** a Wakala contract only
- C** a joint Mudaraba and Wakala contract
- D** either a Mudaraba or Wakala contract

69 In case of a deficiency in the Takaful fund, which of the following actions is permitted?

- A** Policyholders are always required to contribute additional funds
- B** The policyholders receive only a percentage of their losses
- C** The Takaful fund borrows money in the market
- D** The Takaful operator is expected to provide an interest-free loan

- 70** In Sukuk al Murabaha, upon completion of the purchase of the relevant commodities, what immediate action **MUST** the trustee take?
- A** Offer to sell the commodities to the obligor on deferred payment terms
 - B** Undertake to purchase the commodities from the obligor
 - C** Appoint a nominated bank as guarantor
 - D** Confirm the purchasing requirement from the underwriter
- 71** Where a bank provides finance under a Murabaha sale, one of the main ways in which this differs from a conventional loan is that the creditors:
- A** cannot specify a deadline date for payment
 - B** cannot reflect this debt in their accounts
 - C** are not entitled to profit from late payment charges
 - D** are not permitted to use a third-party collection agent
- 72** In accordance with AAOIFI Governance Standard One, the mandatory rulings and decisions of the Shariah Supervisory Board are binding on the:
- A** institution only
 - B** shareholders only
 - C** institution and customers
 - D** shareholders and customers

- 73 Person X, acting as agent for Person Y, exceeded his authority when selling goods to Person Z. In this case, the sale contract is BEST described as:
- A valid and enforceable
 - B valid but unenforceable
 - C voidable
 - D invalid
- 74 Sukuk al Salam is typically applied by central banks as an instrument to provide:
- A short-term liquidity management
 - B medium-term volatility management
 - C medium-term commodity returns
 - D long-term real estate returns
- 75 A two-tier Mudaraba is set up to finance the development of a factory. Under the first contract, investors deposit \$500,000 with profits split 70% (Rab al Mal) and 30% Islamic Bank (Mudarib). Under the second contract the Mudarib is granted 30% of the profits. If the factory is sold for \$560,000, how much of the profit will the Mudarib receive in the second contract?
- A \$12,600
 - B \$18,000
 - C \$42,000
 - D \$60,000

76 A fund manager is adopting the Mudaraba fund management structure.

Therefore the fund manager will:

- A** be acting as an agent on behalf of the Rab al Mal
- B** not be investing in funds that he manages
- C** be permitted to terminate the contract in the first year only
- D** not be entitled to any profit sharing payment

77 Where a Shariah Supervisory Board operates in connection with a Takaful undertaking, what is its primary role?

- A** To maintain the Qard facility
- B** To quantify Retakaful needs
- C** To issue fatawa
- D** To act as Wakil

78 The primary purpose of a Qard contract is to:

- A** obtain safe custody of assets
- B** reward specific effort
- C** establish a lease
- D** provide benevolence

- 79** Which of the following would be an acceptable form of constructive possession according to AAOIFI's Shariah standards on the sale of currencies?
- A** Cash-for-cash delivery by hand
 - B** Partial delivery by at least one party
 - C** A cheque for uncleared funds
 - D** A credit card slip paid without deferment
- 80** Paying for a guarantee is avoided under Islamic finance contracts as it would breach the rules relating to:
- A** Maysi
r
 - B** Riba
 - C** Ghara
r
 - D** Sarf
- 81** Which of the following statements is TRUE regarding the remuneration of an insurance operator managing the investments of a Takaful fund as Mudarib?
- A** The Mudarib is liable for any losses in the capital of the Takaful fund
 - B** Unless guilty of misconduct or negligence, no part of any losses of the fund is borne by the Mudarib
 - C** The total Mudarib fees in managing the Takaful funds are solely a percentage of the underwriting surplus
 - D** If profits of the Takaful funds do not meet expectations, the policyholders can retain part of the fee due to the Mudarib

82 Family Takaful is BEST described as:

- A** a form of term assurance, solely providing a death benefit if the holder dies within a specified period
- B** a form of whole life, solely providing a death benefit whenever the holder dies
- C** a savings plan with a maturity date, incorporating a death benefit if the holder dies before this date
- D** a savings plan with an open-ended maturity date, incorporating a variable level of death benefit

83 An Islamic corporation would demonstrate that its corporate governance principles are in accordance with Shariah, by:

- A** restricting competition with rival businesses
- B** placing profitability before customer satisfaction
- C** increasing their annual dividend to shareholders
- D** ensuring staff are treated fairly

84 In order that a periodic distribution can be made to the certificate holders under a Sukuk al Wakala, an amount reflecting the returns generated by the Wakala portfolio MUST be paid by the:

- A** investment agent to the servicing agent
- B** servicing agent to the trustee
- C** trustee to the lessor
- D** lessor to the investment agent

85 Which of the following is TRUE regarding the Ijara wa Iqtina contract?

- A The lessee has the obligation to buy the asset at the end of the contract
- B The lessor has the obligation to sell the asset at the end of the contract
- C The lessor and lessee can promise to sell and buy the asset on the maturity of the contract
- D Reference to the purchase of the asset will be included in the lease contract

86 Parallel Istisna'a contracts are being used in order to provide computers for a particular company.

The main reason for using this type of arrangement is because:

- A the bank feels unable to fund the entire project
- B the bank is unwilling to hold the computers after manufacture
- C the client only wants to acquire the computers on a phased delivery basis
- D the client wants a guaranteed price now for a guaranteed delivery several months ahead

87 A builder enters into a contract to purchase 4,000 tiles of a stated make, type, colour and size.

The price is agreed and paid at outset, but delivery is to take place in 60 days' time. What type of contract is this?

- A Salam
- B Murabahah
- C Musharakah
- D Ijara

- 88** Muslims whose wealth exceeds a specific amount are required to pay a religious tax.

This tax is known as:

- A** Sadaqa
h
- B** Zakat
- C** Waqf
- D** Tabarr
u

- 89** Investments that are deemed to be haram may still be allowable if turnover is considered to be at an insignificant level.

What is the generally agreed maximum percentage tolerated?

- A** 1%
- B** 5%
- C** 10
%
- D** 25
%

- 90** Under what circumstances is a seller prevented from utilising the 'option to rescind' in relation to a particular sale?

- A** The buyer was a minor with his father providing consent
- B** The seller had initiated the sale process
- C** The option was exercised after the contract execution date
- D** The contract related to the sale of gold

91 Which underlying principle of Islamic contract law would make it permissible to take a gradual rather than immediate approach to stopping an interest bearing arrangement?

- A** Freedom of contracting
- B** Actions are judged by objectives
- C** Custom and convention
- D** Flexibility in the case of hardship

92 Which of the following is NOT a fixed income type of contract?

- A** Salam
- B** Murabah
a
- C** Musharak
a
- D** Istisn'a

93 A businessman requires funding for a project and enters into a Mudaraba agreement with XYZ Islamic Bank in order to achieve this. Persons A, B, C and D invest with the bank to help raise this capital.

Who will NORMALLY receive a Mudaraba certificate in respect of this arrangement?

- A** The Mudarib only
- B** The Rab al Mal only
- C** Both the Mudarib and the Rab
al Mal
- D** Persons A, B, C and D

- 94** Why does the need for reinsurance tend to be greater in Islamic finance than in conventional finance?
- A** The ability to cede risk is significantly easier
 - B** The undertakings are significantly more complex
 - C** The undertakings are significantly smaller
 - D** The ability to conduct underwriting is significantly harder
- 95** Following the launch of the Islamic Development Bank, which was the first state to launch a modern Islamic commercial bank?
- A** Dubai
 - B** Oman
 - C** Bahrain
 - D** Qatar
- 96** The two methods for calculating Zakat are known as:
- A** the equity method and the non-equity method
 - B** the Murabaha method and the Mudaraba method
 - C** the cash-based method and the asset-based method
 - D** the net asset method and the net invested method

97 Bill offers to sell Mary his car but refuses to specify the price.

This is an example of:

- A** Riba
- B** Maysi
r
- C** Ghara
r
- D** Qimar

98 The Fiqh contract used under Takaful to cover the relationship between the insured and the mutual underwriting pool, is based on the key principle of:

- A** culpability
- B** indemnity
- C** assignme
nt
- D** agency

99 Which of the following services/facilities is automatically undertaken by Islamic banks but not by conventional banks?

- A** International liaison
services
- B** Community welfare
services
- C** Credit card facilities
- D** Fund transfer facilities

100 As a result of good claims experience, the policyholders of a Takaful became entitled to the underwriting surplus generated. Can this type of entitlement arise under conventional proprietary insurance funds and conventional mutual insurance funds?

- A** No in both cases
- B** Only in the case of conventional proprietary insurance funds
- C** Only in the case of conventional mutual insurance funds
- D** Yes in both cases

SAMPLE PAPER

Islamic Finance Qualification (Version 10)

Question Number	Answer	Syllabus Reference
1	A	4.1.4
2	C	8.1.1
3	C	5.5.1
4	C	3.3.3
5	C	4.5.4
6	A	9.4.1
7	B	5.12.1
8	C	4.2.1
9	A	5.6.4
10	D	6.3.2
11	D	5.11.1
12	A	5.4.2
13	A	8.3.4
14	A	7.2.5
15	C	4.1.5
16	D	9.2.1
17	C	9.4.1
18	A	6.6.5
19	D	5.10.1
20	B	7.2.2
21	D	7.2.2
22	D	1.1.3
23	C	6.3.4
24	D	3.1.3
25	C	4.5.1
26	C	7.1.2
27	A	3.4.8
28	D	5.6.1
29	C	4.2.2
30	B	9.4.3
31	D	3.4.5
32	A	3.2.3
33	B	5.7.1
34	D	2.1.2
35	C	3.4.5
36	D	4.1.6
37	D	5.5.2
38	D	5.9.3
39	B	9.5.1
40	A	3.4.7
41	B	3.1.2
42	C	6.6.6
43	B	6.5.2
44	B	5.9.1
45	D	8.4.1
46	D	5.8.3

47	B	6.4.3
48	B	2.1.6
49	B	5.7.3
50	B	4.2.2
51	C	9.1.4
52	C	4.4.1
53	C	1.1.4
54	A	9.2.2
55	A	6.3.2
56	D	4.3.1
57	B	5.9.3
58	A	5.6.3
59	C	7.2.1
60	A	4.5.2
61	B	3.2.3
62	B	5.3.1
63	D	6.3.3
64	C	2.1.5
65	D	6.3.3
66	B	3.1.1
67	A	3.4.6
68	D	6.4.2
69	D	8.3.2
70	A	7.2.5
71	C	5.6.3
72	A	9.3.2
73	B	4.1.3
74	A	7.2.5
75	B	5.4.3
76	B	6.5.1
77	C	8.4.3
78	D	4.1.4
79	D	4.4.2
80	B	5.10.1
81	B	8.3.2
82	C	8.2.2
83	D	9.1.2
84	B	7.2.4
85	C	5.7.2
86	B	5.9.2
87	A	5.8.1
88	B	1.1.1
89	B	6.3.1
90	C	4.1.2
91	D	3.1.3
92	C	5.2.3
93	D	5.4.3
94	C	8.4.2
95	A	2.1.1
96	D	4.5.5

97	C	3.1.2
98	B	8.3.3
99	B	2.1.3
100	C	8.2.1

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