

**ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD
(Department of Business Administration)**

ISLAMIC BANKING (8718)

CHECKLIST

SEMESTER: AUTUMN, 2013

This packet comprises the following material:

1. Text Book (one)
2. Course Outline
3. Assignment No. 1 and 2
4. Assignment Forms (2 sets)

In this packet, if you find anything missing out of the above-mentioned material, please contact at the address given below:

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WARNING

- 1. PLAGIARISM OR HIRING OF GHOST WRITER(S) FOR SOLVING THE ASSIGNMENT(S) WILL DEBAR THE STUDENT FROM AWARD OF DEGREE/CERTIFICATE, IF FOUND AT ANY STAGE.**
- 2. SUBMITTING ASSIGNMENTS BORROWED OR STOLEN FROM OTHER(S) AS ONE'S OWN WILL BE PENALIZED AS DEFINED IN "AIOU PLAGIARISM POLICY".**

Course: Islamic Banking (8718)
Level: MS (Management Sciences)

Semester: Autumn, 2013
Total Marks: 100

Note: All questions carry equal marks. Attempt all the questions to be supported by examples with reference Banking Sector of Pakistan and relevant prudential regulations of State Bank of Pakistan.

ASSIGNMENT No. 1

- Q. 1 Explain Islamic banking. Critically discuss contemporary issues in Islamic banking in Pakistan. Analyze these issues and write your suggestion for the solutions of these issues. **(20)**
- Q. 2 Explain the term riba. Discuss the features of Islamic finance system in Pakistan in detail. How the Islamic finance system to be made more effective in your view? Discuss with arguments/examples. **(20)**
- Q. 3 Explain the petition filed in the Federal Shariat Court of Pakistan against riba. Discuss and analyze the judgment of this honorable court against riba in detail. **(20)**
- Q. 4 Explain musharakah financing and its significance in Islamic banking. Identify the associated problems with musharaka financing in Pakistan. Discuss with arguments/examples. **(20)**
- Q. 5 Explain asset-backed finance system and its significance in economy. How it is different from conventional finance system? Make analysis of asset-backed finance system in Pakistan and write your suggestions for improvement. **(20)**

ASSIGNMENT No. 2

Total Marks: 100

- Q. 1 Explain Murabaha financing and its significance. Discuss the features of Murabaha financing in Pakistan. How the Murabaha business will be more effective? Make analysis and write your comments in detail. **(20)**

- Q. 2 Explain Istisna financing and its significance. Discuss the trading mechanism of Istisna finance system in Pakistan. Evaluate the Istisna business and write your comments to make it more effective it. (20)
- Q. 3 Explain Ijara and its significance. Discuss the rights and duties the parties involved in ijara financing. Critically discuss the role of arbitrator in case of conflict between the parties in the ijara business. (20)
- Q. 4 Explain various types of commodity funds and their role in the Islamic investment. How these funds different in nature from conventional funds system? Discuss with arguments/examples. (20)
- Q. 5 Explain risk management in Islamic banking. Discuss various types of risks in Islamic banking business. Discuss the strategies to be used to avoid such risks with special reference to Islamic banking system in Pakistan. (20)
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Unit-1 History and Development of Islamic Banking System

- 1.1 Structure of financial System in Pakistan
- 1.2 Development of Islamic Banking System in Pakistan
- 1.3 Issues and Challenges in Islamic Bank of Pakistan

Unit-2 Salient Features of Islamic Financial System

- 2.1 Basic Difference Between Capitalist and Islamic Economy
- 2.2 Philosophical basis of Islamic Economics and Finance
- 2.3 Riba in Quran, Sunnah and Rational for Prohibition of Interest

Unit-3 Riba Put on Trial

- 3.1 Federal Shariat Court (FSC)
 - 3.1.1 Jurisdiction of FSC
 - 3.1.2 Petitions and Defance
 - 3.1.3 Arguments against and for Interest
 - 3.1.4 Judgment, Implications of the FSC Judgment
 - 3.1.5 List of Laws Held by the FSC for Shariah
- 3.2 Shariat Appellant Bench
 - 3.2.1 Court Order
 - 3.2.2 Implications of Judgment
 - 3.2.3 Fulfillment of Existing Obligations
 - 3.2.4 Contracts with Foreign Parties
 - 3.2.5 Issues Affecting State Bank of Pakistan Functioning

- Unit-4 Islamic Modes of Financing-I**
- 4.1 Alternatives to Interst-Qard-e-Hasana and Service Charge
 - 4.2 Mushrasah and Mudarabah Finance System in Pakistan
 - 4.3 Financing of a Single Transaction
 - 4.4 Financing of Working Capital under Islamic Finance in Pakistan
- Unit-5 Islamic Modes of Financing-II**
- 5.1 Bai Muajjal System in Pakistan
 - 5.2 Issues Involved in Murabaha
 - 5.3 Different Pricing for Cash and Credit Sales
 - 5.4 Basic Mistakes in Murabaha Financing in Pakistan
- Unit-6 Islamic Modes of Financing-III**
- 6.1 Ijarah: Basic Rules and Securitization in Pakistan
 - 6.2 Variable Rentals in Long Term Leases in Pakistan
 - 6.3 Residual Value of Leased Asset in Pakistan
- Unit-7 Islamic Modes of Financing-IV**
- 7.1 Salam: Concept and Practice in Pakistan
 - 7.2 Istisna: Concept and practice in Pakistan
 - 7.3 Delivery Management in Islamic Banks Operating in Pakistan
- Unit-8 Islamic Investment Funds**
- 8.1 Principles of Shariah Governing Islamic Investment Funds System in Pakistan
 - 8.2 Types of Funding Available in Pakistan
 - 8.3 Conditions for Investment in Shares Practice in Pakistan
 - 8.4 Principle if Limited Liability: Applications in Islamic Banks in Pakistan
- Unit No. 9 Operational Guidelines**
- 9.1 Proposed Structure of Islamic Banks in Pakistan
 - 9.1.1 Reshaping Banking Operations
 - 9.1.2 Deposit Tkaful Corporation
 - 9.1.3 Establishment of Islamic Fund in Banks
 - 9.2 Arbitration and Penalty Clause in Islamic Banking System of Pakistan
 - 9.3 Risk Management by Islamic Banks Operating in Pakistan
 - 9.4 Regulatory Issues in Islamic Financial System in Pakistan

Recommended Books:

Usmani T., M. (2010) *Islamic Finance*. Karachi. Idaratul Maarif.

Additional Readings:

Ayub, M. (2010) *Understand Islamic Finance*: West Sussex: John Wiley and Sons Limited.

Rahman, A., Y. (2010). *The Art of Islamic Banking and Finance: Tools and Techniques for Community-Based Banking*. New Jersey: John Wiley and Sons.

