The Islamic Banking Model

ASSESSMENT # 4 Total Marks: 30

1. Give short answers for the following questions: (14)

i. What is two - tier Mudarabah Model of Islamic finance? And how does it work?
ii. What is the difference between one - tier and two - tier modes of Mudarabah finance?
iii. Outline the important features of a Mudarabah Contract.
iv. What is the difference between a Murabahah Contract and Bay-al –murabahah Contract?
v. What is the difference between financial lease and operating lease?
vi. What are the basic rules of Salaam Sale?
vii. What are the distinguishing features of Islamic Banking?

2. Discuss the basic rules of complying with a 'Musharakah' financing contract. (6)

Case Study

A Mudarabah Contract is settled down between an Islamic Bank and a client as follows: (10)

a. The Islamic Bank provides capital of 100,000 S.R and the client provides his efforts.
b. The subject of activity of the Mudarabah is trading in foods for one year.
c. Profit is divided as: 60% for the Islamic Bank and 40% for the client.
d. There is no pay for the client in business activities.

The result of the activities was as follows:

i. Sales income 450,000 S.R
ii. Purchases costs 325,000 S. R
iii. Admin costs and overheads 145,000 S.R

In regards to the above, answer the following questions:

a) Determine the profit and loss in the above case
b) How much is the client paid in wages?