ASSESSMENT # 1

Total Marks: 30

Answer the following questions:

1. What is the difference between ‘ Mudharaba’ and ‘ Murabaha’ investment contracts? **6**
2. Define Takaful. **7**
3. Outline the principles of Islamic Finance. **5**
4. What replaces interest rate mechanism in an Islamic framework? **5**

Case Study

Mr. Muhammad Adel is working full time as a teacher and is based in the UK. He intends to buy a house but is interested in Islamic Mortgage. The bank offers two types of Islamic mortgages; ‘Ijara’ and
‘Murabaha’. After getting information for both, he decides for the later and wants to pay back in instalments. He has been successful in getting the house finance. (**7**)

Keeping in view the above case, answer the following questions:

a) What is the difference between ‘ijara’ mortgage and ‘ Murabaha’ mortgage?
b) What is the difference between conventional house finance and ‘Murabaha’ house finance?
c) On this mortgage, if he misses out some payments how will the bank react?