

POLITEKNIK
Jabatan Pengajian Politeknik

EXAMINATION AND EVALUATION DIVISION
DEPARTMENT OF POLYTECHNIC EDUCATION
(MINISTRY OF HIGHER EDUCATION)

COMMERCE DEPARTMENT
FINAL EXAMINATION
JUNE 2012 SESSION

PS502: ISLAMIC TRADE FINANCE
DATE: 23 NOVEMBER 2012(FRIDAY)
DURATION: 2 HOURS (8.30 AM - 10.30 AM)

This paper consists of **ELEVEN(11)** pages including the front page.

Section A: Objective (25 questions – answer all)

Section B: Essay(3 questions – answer all)

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SECTION A**OBJECTIVES (25 marks)****INSTRUCTION:**

This section consists of **TWENTY FIVE (25)** objective questions. Write your answer's in the answer booklet.

1. The following are the essential conditions of the sale contract in Islamic law except: [CLO 1 : C1]
 - A. Offer & acceptance
 - B. Contracting parties & subject matter
 - C. Price & mutual consent
 - D. Profit & loss sharing
2. Choose the correct statement on *Riba*: [CLO 1 : C1]
 - A. *Riba* is unjustified excess above and over the capital resulting from loan and sale contract
 - B. *Riba* is the profit gained from exchange contract
 - C. *Riba* is the unjustified excess of the capital resulting from loan contract only
 - D. *Riba* is the excessive fee imposed on the customer
3. Under a conventional insurance policy, the insured pays a premium and the financial benefits obtained can be less or more than the premium, depending on whether a claim is made. In Islamic terms, this type of situation is describe as: [CLO 1 : C3]
 - A. *Fasid*
 - B. *Gharar*
 - C. *Baatil*
 - D. *Ribawi*

4. Which of the following are Islamic concepts? [CLO 1 : C3]
]
i. *Marhalah*
ii. *Musyarakah*
iii. *Kafalah*
iv. *Hibah*
A. i, ii, iii
B. i, ii, iii, iv
C. ii, iii, iv
D. ii, iv
5. consists of business transactions between more than one country. [CLO 1 : C1]
A. Domestic business
B. Corporate expansion
C. International trade
D. None of the above
6. This contract is the sale of debt which can be either against debt or other than debt, to the debtor or other than debtor, on cash basis or deferred payment basis. This statement refers to: [CLO 1 : C1]
A. *Bai Al-Salam*
B. *Bai Al-Dayn*
C. *Bai Al-Sarf*
D. *Bai Bithamal Ajil*
7. risk is the potential exchange loss from outstanding obligations as a result of exchange rate fluctuation: [CLO 1 : C2]
]
A. Trade
B. Exchange
C. Finance
D. Transaction

8. Foreign exchange risk can be reduced by using

[CLO 1 : C2]

- A. Forward contract
- B. Futures contract
- C. Currency options
- D. ALL OF THE ABOVE

9. What is sovereign risk?

[CLO 1 : C2]

- A. Relate to the possibility of the government of the buyer's country imposing exchange control regulations because of political reasons or because the country lacks the foreign currency reserves to allow businesses to settle their payments in foreign currencies.
- B. Possibility the document presented on a bank by an exporter are forged.
- C. Debt is settled within a particular country, the potential problem of transfer risk is not present.
- D. Occur when the buyer or the supplier has to borrow from their banks to part finance an international deal.

10. Which of the following are Bank participations in international trade?

[CLO 1 : C2]

- i. Provide status enquires
- ii. Document processors
- iii. Provide finance
- iv. Supply foreign currency

- A. i, ~~iv~~, iii
- B. i, ii, iii, iv
- C. ii, iii, iv
- D. i, iii, iv

- C. ii, iii and iv
- D. ALL ABOVE
18. The FOREX contract is *Al-Sarf* where the seller can sell the currency at any rate based on willing buyer and willing seller. This statement is referred to:
- [CLO 3 : C3]
- A. Sport market
- B. Forward market
- C. Foreign exchange rate
- D. None of the above
19. The exchange rate is significant to a country's international business trading **EXCEPT:**
- [CLO 3 : C1]
- A. Affects the prices of exported and imported goods
- B. Influences consumers' buying decision and investors' long term commitments
- C. Impacts a firm's profit
- D. ALL OF THE ABOVE
20. A foreign exchange rate will react to the following events **EXCEPT :**
- [CLO 3 : C1]
- A. Natural disaster
- B. Government policy changes
- C. Deficits in the trade balance
- D. A new government in the country
21. The term means the rate of exchange that is quoted for an immediate foreign currency transaction.
- [CLO 3 : C3]
- A. Forward rate
- B. Spot rate
- C. Immediate rate
- D. Counter rate

22. Which of the following is **NOT TRUE** about differences between Islamic Trust Receipt (ITR) and Conventional Trust Receipt (CTR)?
[CLO 3 : C3]
- A. ITR based on the concept of buy and sell on deferred payment while CTR is based on lending concept
 - B. CTR interest is charged based on current rate at a fixed margin while ITR, the bank buys and sells it to the client the bank's selling price comprising of cost plus profit margin
 - C. Compensation charge is based on "r" rate for ITR while overdue interest is 1.0% p.a above the prescribed trust receipt rate
 - D. None of the above
23. There are **SIXTEEN (16)** of ECM (Exchange Control Notice) 1953 since August 1, 1960. Which of the following is **NOT TRUE** about ECM?
[CLO 3 : C3]
- A. ECM 1: Definition
 - B. ECM 2: Dealing in Gold & Foreign Exchange
 - C. ECM 3: Export of goods
 - D. ECM 4: General Payment
24. The table below shows the differences between Banker Acceptance and Islamic Acceptance Bills, **EXCEPT** :
[CLO 3 : C3]

	Banker Acceptance (BA)	Islamic Acceptance Bills (IAB)
A.	Based on discounting	Based on <i>Murabahah</i> and <i>Bai-Al Dayn</i> principles for purchase and import
B.	Budget may not be accurate	Budget is simpler
C.	Finance only up to the nearest thousand. The customer has to top-up the difference upfront	Full financing to the exact amount
D.	The bank is always the acceptor and the customer, the drawer	Islamic bank is the drawer and customer is the acceptor

25. Which of the following is **NOT TRUE** about Uniform Rules for Collection?

[CLO 3 : C3]

- A. Section A: General provision and definitions
- B. Section B: Form and structure of collection
- C. Section C: Payment
- D. Section D: Responsibilities and liabilities

SECTION B**ESSAY (75 marks)****INSTRUCTION:**

This section consists of **THREE (3)** essay questions. Answer **ALL QUESTIONS**.

QUESTION 1

a. Explain **FIVE (5)** Islamic concepts listed below:

- i. *Wakalah*
- ii. *Bai Ad Dayn*
- iii. *Kafalah*
- iv. *Ibra'*
- v. *Hibah*

[CLO 1 : C2]

(15 marks)

b. Identify **TWO (2)** importance of trade finance to the economy.

[CLO 1 : C1]

(4 marks)

c. List **SIX (6)** parties participate in foreign exchange.

[CLO 1 : C2]

(6 marks)

QUESTION 2

a. List **FOUR (4)** types of the commercial document involved in trade?

[CLO 2 : C2]

(4 marks)

b. Interpret Document against Payment (D/P) collection

[CLO 2 : C3]

(6 marks)

- c. Interpret Document against Acceptance (D/A) Collection [CLO 2 : C3]
(6 marks)

- d. What are the differences between Document against Payment (D/P) and Document against Acceptance (D/A) under:
- i. Time of payment
 - ii. Transfer of goods
 - iii. Exporter risk

[CLO 2 : C2]

(9 marks)

QUESTION 3

- a. Comparisons between Islamic trade finance and conventional trade finance

[CLO 3 : C3]

(10 marks)

- b. List **FIVE (5)** factors affecting foreign exchange rates.

[CLO 3 : C1]

(5 marks)

- c. Describe **THREE (3)** participated parties involve in Foreign exchange market.

[CLO 3 : C2]

(6 marks)

- d. Explain the followings INCOTERMS:

[CLO 2 : C2]

(4 marks)

- i. Cost & Freight
- ii. Free On Board