

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

ISLAMIC BANKING (8552)

CHECKLIST

SEMESTER: SPRING, 2014

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:

Deputy Registrar
Mailing Section, Block-28
Allama Iqbal Open University
H-8, ISLAMABAD

(Sadar Ayub)
Course Coordinator

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

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 (8552)
Level: MBA (3 ½) and MBA (2 ½) years

Semester: Spring, 2014
Total Marks: 100
Pass Marks: 50

ASSIGNMENT No. 1
(Units: 1–4)

Note: Attempt all question. All questions carry equal marks.

- Q. 1 Explain Islamic Banking System in detail. Discuss the problems and challenges to Islamic banking in Pakistan in detail. Discuss various strategies for handling such problems and challenges in detail. **(20)**
- Q. 2 Explain Islamic economic system with examples. Discuss the philosophical basis of Islamic economic system in detail. Discuss the advantages of Islamic economic system over capitalistic and socialistic economies in detail. **(20)**
- Q. 3 Explain Riba. Discuss the petition against Riba in the Federal Shariat Court of Pakistan in detail. Also discuss the decision against Riba of this honorable court in detail. **(20)**
- Q. 4 Explain the term Mudarabah with examples. Discuss the mechanism of combination of musharakah and mudaraba. Also discuss their advantages for individual investor and for the economy of Pakistan. **(20)**
- Q. 5 Explain musharakah business with examples. Discuss the basic rules of musharakah business in detail. Also discuss the management and structure of musharakah business in Pakistan. **(20)**

GUIDELINES FOR ASSIGNMENT No. 1

You should look upon the assignments as a test of knowledge, management skills, and communication skills. When you write an assignment answer, you are indicating your knowledge to the teacher:

- Your level of understanding of the subject;
- How clearly you think;
- How well you can reflect on your knowledge & experience;
- How well you can use your knowledge in solving problems, explaining situations, and describing organizations and management;
- How professional you are, and how much care and attention you give to what you do.

To answer a question effectively, address the question directly, bring important related issues into the discuss also be able to identify important problems and implications arising from the answer.

For citing references, writing bibliographies, and formatting the assignment, APA format should be followed.

ASSIGNMENT No. 2

(Units: 1–9)

Total Marks: 100

Pass Marks: 50

This assignment is a research-oriented activity. You are required to obtain information from a business/commercial organization and prepare a report of about 1000 words on the issue allotted to you to be submitted to your teacher for evaluation. Discuss your topic by giving examples of organizations and markets etc. in Pakistan as well as the prudential regulations of State Bank of Pakistan.

You are required to select one of the following issues according to the last digit of your roll number. For example, if your roll number is P-3427180 then you will select issue # 4 (the last digit): -

ISSUES:

0. Practice of Islamic Banking
1. Project Financing in Musharakah Business
2. Murabahah Financing
3. General Rules of Ijarah

4. Murabaha-Istisna'a Financing
5. Islamic Mutuals Funds
6. Risk Management in Islamic Banking
7. Regulator Issues in Islamic Financial System
8. Takaful Business
9. Salam Based Business

The report should follow the following format:

1. Title page
2. Acknowledgements
3. An abstract (one page summary of the paper)
4. Table of contents
5. Introduction to the issue (brief history & significance of issue assigned)
6. Practical study of the organization (with respect to the issue)
7. Data collection methods
8. SWOT analysis (strengths, weaknesses, opportunities & threats) relevant to the issue assigned
9. Conclusion (one page brief covering important aspects of your report)
10. Recommendations (specific recommendations relevant to issue assigned)
11. References (as per APA format)
12. Annexes (if any)

GUIDELINES FOR ASSIGNMENT # 2:

- 1.5 line spacing
- Use headers and subheads throughout all sections
- Organization of ideas
- Writing skills (spelling, grammar, punctuation)
- Professionalism (readability and general appearance)
- Do more than repeat the text
- Express a point of view and defend it.

WORKSHOP:

The workshop presentations provide you an opportunity to express your communication skills, knowledge & understanding of concepts learned during practical study assigned in assignment # 2.

You should use transparencies and any other material for effective presentation. The transparencies are not the presentation, but only a tool; the presentation is the combination of the transparencies and your speech comments; explanation etc. Workshop presentation transparencies should only be in typed format.

The transparencies should follow the following format:

- 1) Title page
- 2) An abstract (one page summary of the paper)
- 3) Introduction to the issue (brief history & significance of issue assigned)
- 4) Practical study of the organization (with respect to the issue)
- 5) Data collection methods
- 6) SWOT analysis (strengths, weaknesses, opportunities & threats) relevant to the issue assigned
- 7) Conclusion (one page brief covering important aspects of your report)
- 8) Recommendations (specific recommendations relevant to issue assigned)

GUIDELINES FOR WORKSHOP PRESENTATION:

- Make eye contact and react to the audience. Don't read from the transparencies or from report, and don't look too much at the transparencies (occasional glances are acceptable to help in recalling the topic to cover).
- A 15-minute presentation can be practiced several times in advance, so do that until you are confident enough. Some people also use a mirror when rehearsing as a substitute for an audience.

WEIGHTAGE OF THEORY & PRACTICAL ASPECTS IN ASSIGNMENT # 2 & WORKSHOP PRESENTATIONS:

Assignment # 2 & workshop presentations are evaluated on the basis of theory & its applicability. The weightage of each aspect would be:

Theory:	60%
Applicability (practical study of the organization):	40%

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Course: **Islamic Banking**

Course Code: **8552**

Level: **MBA (3 ½) and MBA (2 ½) Years**

Credit hours: **03**

Unit–1 History and Development of Islamic Banking System

- 1.1 Structure of Financial System in Pakistan
- 1.2 History and Development of Islamic Banking in Pakistan
- 1.3 Problems, Issues and Challenges in Islamic Banking

Unit–2 Salient Features of Islamic Financial System

- 2.1. Islamic Economy and Capitalist Economy
- 2.2. Philosophical Basis of Islamic Economics and Finance
- 2.3. Shariah Boundaries for Financial Transactions
- 2.4. Riba in Holy Quran and Sunnah
- 2.5. Rational for Prohibition of Interest

Unit–3 Riba Put on Trial

- 3.1 In Federal shariat Court (FSC)
 - 3.1.1 Jurisdiction of FSC
 - 3.1.2 Bar on Jurisdiction
 - 3.1.3 Petitions and Defiance
 - 3.1.4 Arguments Against and for Interest
 - 3.1.5 Judgement and Implications of the FSC Judgement
 - 3.1.6 List of Laws Held by the FSC Repugnant to Shariah
- 3.2 In Shariat Appellate Bench
 - 3.2.1 Court order
 - 3.2.2 Implications of Judgement
 - 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 Interest, Qard-e-Hasana and Service Charge
- 4.2. Concepts of Musharakah and Mudarabah
- 4.3. Combination of Musharakah and Mudarabah
- 4.4. Project Financing and Sharing in Gross Profit Only

4.5. Financing of Single Transaction and Working Capital

Unit-5 Islamic Modes of Financing-II

- 5.1. Murabahah, Basic Rules of Sale and Bai' Mu'ajjal
- 5.2. Murabahah as a Mode of Financing and Penalty of Default
- 5.3. Basic Features of Murabahah Financing
- 5.4. Issues Involved in Murabahah Financing
- 5.5. Different Pricing for Cash and Credit Sales
- 5.6. Basic Mistakes in Murabahah Financing

Unit-6 Islamic Modes of Financing-III

- 6.1 Ijarah, Determination of Rental and Commencement of Lease
- 6.2 Liability of Parties in Case of Loss to Asset
- 6.3 Variable Rentals in Long Term Leases
- 6.4 Insurance and Termination of Lease
- 6.5 Residual Value of Leased Asset

Unit-7 Islamic Modes of Financing-IV

- 7.1 Concepts of Salam and Istisna
- 7.2 Salam as a Mode of Financing
- 7.3 Rules of Parallel Salam
- 7.4 Difference Among Istisna, Salam and Ijarah
- 7.5 Time of Delivery

Unit-8 Islamic Investment Funds

- 8.1 Principals of Shariah Governing Islamic Investment Funds
- 8.2 Various Kind of Fundings
- 8.3 Conditions for Investment in Shares
- 8.4 Principles of Limited Liability
 - 8.4.1 Waqf
 - 8.4.2 Baitul-Mal
 - 8.4.3 Joint Stock
 - 8.4.4 Inheritance under Debt

Unit-9 Operational Guidelines

- 9.1 Proposed Structure of Banks
 - 9.1.1 Reshaping Banking Operations
 - 9.1.2 Deposit/Fund Raising
 - 9.1.3 Deposit Takaful Corporation
 - 9.1.4 Establishment of Islamic Fund in Banks

- 9.2 Arbitration and Penalty Clause
- 9.3 Risk Management by Islamic Banks
- 9.4 Regulatory Issues in Islamic Financial System

Recommended Book

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

Additonal Readings

Ayub, M. (2010). *Understanding Islamic Finance*. England: John Willy & Sons

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

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