



The Co-operative University of Kenya

SPECIALS AND SUPPLEMENTARY EXAMINATION AUGUST-2019 EXAMINATION FOR THE DIPLOMA IN BANKING AND FINANCE

UNIT CODE: DMBF 1201

UNIT TITLE: ISLAMIC FINANCE

DATE: 27TH AUGUST, 2019

TIME: 11:30 AM – 1:30 PM

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

- (a) Define the following terms as used in Islamic finance.
- | | |
|-----------------|-----------|
| (i) Riba | (2 Marks) |
| (ii) Gharar | (2 Marks) |
| (iii) Talkaful | (2 Marks) |
| (iv) Azerbarjan | (2 Marks) |
| (v) Hawala | (2 Marks) |
- (b) Discuss the **FOUR** major issues that Islamic law prohibit in Islamic Finance. (8 Marks)
- (c) Discuss how Islamic Bank earn money without interest. (4 Marks)
- (d) Explain the **FOUR** types of Islamic Finance Products. (8 Marks)

QUESTION TWO

- (a) Discuss any **FIVE** basic principles of Islamic Finance. (10 Marks)
- (b) Give the difference between conventional and Islamic banking systems. (10 Marks)

QUESTION THREE

- (a) Write short notes on the History of finance. (6 Marks)
- (b) Discuss briefly the trend and Kenya's experience with Shariah Compliant Banking Systems. (10 Marks)
- (c) Explain **FOUR** major issues that Islamic law prohibits in an Islamic financial system. (4 Marks)

QUESTION FOUR

- (a) Discuss the sources of finance in an Islamic Financial system. (20 Marks)

QUESTION FIVE

- (a) With relevant example discuss the challenges of Islamic Finance and explain the possible remedies. (10 Marks)
- (b) Explain the nature of Mudaraba contract and Discuss how this form of Islamic Finance could be used to finance the planned business expansion. (10 Marks)