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BNK610 Quiz File

Chapter-wise Solved MCQs

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Lesson 1: Islamic Economic System

1. According to Sharia'h, human life aspects are divided into five categories, under which category does Economics fall?

- A) Aqaid
- B) Ibadaat
- C) Muamlaat
- D) Maishat

2. What is the general governing rule for Muamlaat (socio-economic dealings with others) in Sharia'h?

- A) Everything is prohibited unless explicitly permitted
- B) General Permissibility (all acts are permitted unless clearly prohibited)
- C) Absolute freedom without any divine restriction
- D) Permissible only if endorsed by secular law

3. Which statement correctly summarizes the fundamental difference between materialistic economics and Islamic economics regarding livelihood?

- A) Materialistic economics considers livelihood irrelevant, while Islamic economics makes it the sole goal
- B) Materialistic economics views economic development as the ultimate end of life, whereas Islamic economics considers livelihood necessary but not the ultimate purpose of human life
- C) Both systems agree that wealth accumulation is the final destination of man
- D) Islamic economics forbids all economic activity and preaches monasticism

4. According to the Holy Quran (Surah An-Nur 24:33), who is the absolute and ultimate owner of all wealth and property?

- A) The state
- B) The individual capitalist
- C) Allah
- D) The joint labor union

Answer Key

- 1. D — Economics is categorized under Maishat among the five divisions of Sharia'h.
- 2. B — Muamlaat is governed by the rule of General Permissibility, where acts are allowed unless expressly forbidden.
- 3. B — Islamic economics views livelihood as a necessary means rather than the ultimate end of human existence.
- 4. C — Wealth in all its forms is explicitly declared as the property of Allah bestowed upon humans.

Lesson 2: Factors of Production in Islam

1. How many actual factors of production are recognized under the Islamic economic framework?

- A) Two
- B) Three
- C) Four
- D) Five

2. Under the Islamic view, how is "Land" defined as a factor of production?

- A) Only natural soil and mines excluding man-made assets
- B) Means of production whose original form remains unaltered during production and can be leased for rent
- C) Liquid currency and consumable raw materials
- D) Any asset owned exclusively by the state

3. In a Mudarabah contract, what are the respective roles and forms of return for the fund provider and the business manager?

- A) Fund provider is Mudarib (wages); manager is Rabb-ul-Mal (rent)
- B) Fund provider is Rabb-ul-Mal (profit); manager is Mudarib (wages/profit share)
- C) Fund provider receives guaranteed interest; manager receives profit
- D) Both act as wage earners employed by the state

4. Why does Islamic economics exclude the "Entrepreneur" as an independent, standalone fourth factor of production?

- A) Because risk-bearing is an inherent characteristic of capital, merging the capitalist and entrepreneur
- B) Because entrepreneurship is strictly prohibited in Islam
- C) Because the state handles all entrepreneurial functions in Islam
- D) Because entrepreneurs are not allowed to earn profits

Answer Key

1. B — Islam recognizes three actual factors of production: Capital, Land, and Labor.
2. B — Land includes assets whose corpus remains intact during use (e.g., land, machines, buildings) and yield rent.
3. B — The investor is Rabb-ul-Mal who shares in profit, while the manager is Mudarib compensated for labor.
4. A — The ability to bear loss risk belongs to capital, so the provider of capital is inherently the entrepreneur.

Lesson 3: Introduction, History and Evolution

1. Which option correctly defines "Maysir" and "Gharar", both of which are strictly prohibited in Islamic banking?

- A) Maysir is interest on loans; Gharar is profit sharing
- B) Maysir is gambling or uncertain future contingency; Gharar is uncertainty in sale details
- C) Maysir is rent on property; Gharar is fixed wage
- D) Maysir is trade profit; Gharar is agency commission

2. Where and in what year was the very first proper interest-free Islamic banking initiative (Mit Ghamr Local Savings Bank) launched?

- A) Cairo, Egypt in 1975
- B) Mit Ghamr, Egypt in 1963
- C) Jeddah, Saudi Arabia in 1973
- D) Kuala Lumpur, Malaysia in 1983

3. Which year is associated with the official establishment of the Islamic Development Bank (IDB)?

- A) 1963
- B) 1969
- C) 1975
- D) 1983

4. What was the primary reason for the failure of the pioneering Mit Ghamr Local Savings Bank experiment?

- A) Lack of customer deposits
- B) Political reasons, as the government took over its operations
- C) Widespread default by borrowers
- D) Competition from conventional banks

Answer Key

1. B — Maysir refers to gambling/uncertain gains while Gharar denotes excessive uncertainty in contracts.
2. B — The Mit Ghamr Local Savings Bank was established in Mit Ghamr, Egypt in 1963.
3. C — The Islamic Development Bank was officially established in 1975.
4. B — The Mit Ghamr experiment ended due to political intervention when the government assumed control.

Lesson 4: Riba, Definition, Prohibition and Types

1. What is the literal meaning of "Riba" in Arabic?

- A) Charity
- B) Increase, growth, or excess
- C) Trade
- D) Partnership

2. Which two types of Riba are identified in the handout?

- A) Riba An-Nasiyah and Riba Al-Fadl
- B) Riba Al-Qard and Riba Al-Bai
- C) Riba Al-Ijarah and Riba Al-Wakalah
- D) Riba Al-Mudarabah and Riba Al-Musharakah

3. What does "Riba An-Nasiyah" specifically refer to?

- A) Excess in spot exchange of commodities
- B) Increase charged for delay in repayment of a loan (interest on loans)
- C) Profit from sale transactions
- D) Rental income from property

4. Which Quranic verse is cited as the primary prohibition of Riba?

- A) Surah Al-Baqarah 2:275
- B) Surah An-Nisa 4:29
- C) Surah Al-Ma'idah 5:90
- D) Surah Al-Imran 3:130

Answer Key

1. B — Riba literally means increase, growth, or excess in Arabic.
2. A — The two types are Riba An-Nasiyah (delay) and Riba Al-Fadl (excess in exchange).
3. B — Riba An-Nasiyah is the increase charged for delay in loan repayment.
4. A — Surah Al-Baqarah 2:275 is the primary verse prohibiting Riba.

Lesson 5: Islamic Contracts

1. Under Islamic jurisprudence, how does a compensatory contract (Uqood e Mu'awadah) differ from a non-compensatory contract (Uqood e Ghaer Mu'awadah) when a void condition is attached?

- A) A void condition makes a compensatory contract void, but does not invalidate a non-compensatory contract
- B) A void condition makes a non-compensatory contract void, but leaves a compensatory contract valid
- C) Void conditions automatically render both types of contracts completely void
- D) Void conditions are ignored in compensatory contracts and enforced in non-compensatory contracts

2. Which classical school of Islamic jurisprudence holds the position that a unilateral promise (Wa'da) is legally enforceable by default?

- A) Hanafi School
- B) Maliki School
- C) Shafi'i School
- D) Hanbali School

3. What is the legal status of "Safqatain fi Safqatin" (combining two contracts into one where execution of one depends on the other) in Islamic law?

- A) Fully permissible in all commercial transactions
- B) Prohibited because it introduces uncertainty (Gharar) into the transaction
- C) Recommended for modern lease-purchase contracts
- D) Permissible only if approved by secular banking regulators

4. How does an Investment Agency contract (Wakalah Istithmar) differ fundamentally from a Mudarabah contract?

- A) In Wakalah Istithmar, the agent receives a fixed fee or commission rather than a share in profit
- B) In Wakalah Istithmar, the principal bears all operational expenses and losses
- C) In Mudarabah, the manager receives a fixed salary regardless of profit
- D) In Mudarabah, loss is shared equally between both parties regardless of capital

Answer Key

- 1. A — A void condition invalidates compensatory contracts (like sales), but leaves non-compensatory contracts (like loans or gifts) valid.
- 2. B — Imam Malik holds that a unilateral promise (Wa'da) is legally enforceable in court.
- 3. B — Combining two contingent contracts creates Gharar (uncertainty) and is explicitly non-permissible.
- 4. A — The Wakil in Wakalah Istithmar earns a pre-agreed fee/commission, whereas a Mudarib earns a profit-sharing ratio.

Lesson 6: Sale and Its Types

1. What type of sale is defined as a transaction where the cost is disclosed to the buyer and the asset is sold on a cost-plus-profit basis?

- A) Bai Musawamah
- B) Bai Murabaha
- C) Bai Taulia
- D) Bai Waddiyah

2. How does a defective/voidable sale (Bai Fasid) differ from a void sale (Bai Baatil) in Islamic commercial law?

- A) Bai Fasid cannot be corrected under any circumstances, whereas Bai Baatil can
- B) Bai Fasid exists but has a rectifiable flaw in contract conditions or price; if rectified, it becomes valid
- C) Bai Baatil transfers ownership upon delivery, whereas Bai Baatil does not
- D) Both sales carry identical legal consequences and cannot be made valid

3. Why is "Bai al Innah" (Buy-Back sale) prohibited under Sharia'h rules?

- A) Because delivery of the item is deferred to an unknown future date
- B) Because it is a legal stratagem used to generate interest on loan transactions through sale and repurchase
- C) Because it involves short selling of commodities not owned by the seller
- D) Because it is restricted exclusively to agricultural produce

4. Which option (Khiyar) gives the buyer the right to cancel a sale contract if the item was purchased at a price far above its prevailing market value without the buyer's knowledge?

- A) Khiyar-e-Shart
- B) Khiyar-e-Aib
- C) Khiyar-e-Wasf
- D) Khiyar-e-Ghaban

Answer Key

1. B — Bai Murabaha is a cost-plus-profit sale where the exact cost and profit margin are explicitly disclosed to the buyer.
2. B — Bai Fasid possesses the core elements of sale but contains a flaw (like price uncertainty) that renders it valid once rectified.
3. B — Bai al Innah involves selling an item on credit and buying it back for less cash, artificially creating an interest-bearing loan.
4. D — Khiyar-e-Ghaban protects a buyer who was charged an exorbitant price well above market rates due to lack of market knowledge.

Lesson 7: Banking Framework

1. According to Sharia'h rules, why cannot bank deposits be classified legally as "Amanah" (trust)?

- A) Because Amanah cannot be utilized for business by the custodian and the custodian is not liable for loss beyond control, whereas banks use deposits and guarantee repayment
- B) Because Amanah requires payment of interest to the owner
- C) Because Amanah is only applicable to real estate assets
- D) Because banks are state-owned institutions that do not handle private trust funds

2. Why did Sayyidina Zubair bin Awwam (R.A) insist on accepting stored valuables as "Qard" (loan) rather than "Amanah" (trust)?

- A) To charge a monthly storage fee on the valuables
- B) To protect depositors by guaranteeing return of equal amount while gaining the right to invest the funds
- C) To avoid returning the funds upon demand
- D) Because Sharia'h strictly prohibits accepting Amanah from friends

3. In Islamic banking, what is the legal relationship between the bank and the customer in rental-based financing modes (such as Ijarah)?

- A) Seller and Buyer
- B) Lessor and Lessee
- C) Partners in Musharakah
- D) Debtor and Creditor

4. Why are Islamic banks not permitted to charge a fee for issuing a financial guarantee (Kafalah)?

- A) Because financial guarantee is a non-compensatory contract (Uqood e Ghaer Mu'awadah) from which no fee/income can be derived
- B) Because guarantees are prohibited in Islamic finance
- C) Because state central banks prohibit guarantee fees for all financial institutions
- D) Because guarantee fees are classified as rental income

Answer Key

1. A — Amanah assets cannot be used in business and carry no liability for loss beyond control, which contradicts bank deposit operations.
2. B — Converting deposits to Qard allowed Hazrat Zubair (R.A) to productively employ funds while assuming full liability to guarantee repayment.
3. B — In rental-based modes like Ijarah, the Islamic bank acts as the Lessor and the customer acts as the Lessee.
4. A — Guarantee (Kafalah) is a non-compensatory contract, and Sharia'h forbids earning fee/income directly from non-compensatory acts.

Lesson 8: Liability Side on Islamic Bank

1. Which operational structure is primarily utilized by Islamic banks in Pakistan to manage remunerative deposit accounts (savings and term deposits)?

- A) Mudarabah Al Muqayyadah (Restricted Mudarabah)
- B) Mudarabah Al Mutlaqah (Unrestricted Mudarabah)
- C) Bai Muajjal
- D) Qard-e-Hasna

2. Under a Mudarabah agreement, how are financial losses borne by the contracting parties?

- A) Split 50:50 between the investor and the manager
- B) Borne exclusively by Rab-ul-Maal (investor) in proportion to capital, while Mudarib loses labor, absent negligence
- C) Borne entirely by the Mudarib (manager)
- D) Covered by the state central bank reserve fund

3. What is the legal consequence if a fixed sum of money or a fixed percentage of capital is guaranteed as profit to either party in a Mudarabah contract?

- A) The contract remains fully valid and binding
- B) The contract becomes void (Fasid); all profit goes to Rab-ul-Maal, and Mudarib receives Ujrat-e-Misl (market wage)
- C) The Mudarib receives all the profit and the Rab-ul-Maal receives nothing
- D) The transaction is converted into a Musharakah partnership automatically

4. What is the primary function of "weightages" in the profit distribution mechanism of an Islamic bank deposit pool?

- A) They guarantee a fixed monthly percentage return on deposits
- B) They establish the relative weight/preference among different deposit tiers/tenors for distributing actual pool profits
- C) They measure the exact weight of physical commodities held in bank vaults
- D) They represent the interest rate charged on overdraft facilities

Answer Key

1. B — Remunerative deposits in Pakistan operate on Mudarabah Al Mutlaqah, giving the bank full authority to invest funds as deemed fit.
2. B — Financial loss in Mudarabah is strictly borne by the capital provider (Rab-ul-Maal); the Mudarib only loses uncompensated time/labor.
3. B — Fixing profit as a lump sum or % of capital invalidates Mudarabah, turning it into Fasid where Mudarib gets standard market wages (Ujrat-e-Misl).
4. B — Weightages reflect the bank's distribution preference across deposit tenors/tiers when allocating actual earned pool profits.

End of Quiz

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