VU Learning HUB

BNK612 Quiz File

Chapter-wise Solved MCQs

vulearninghub.xyz

VU Learning HUB

Lesson 1: 1. Introduction to Fiqh al-Mu'amalat

1. What does the word "fiqh" literally mean in Islamic legal terminology?

A) Deep understanding.
B) Customary practice.
C) Analogical reasoning.
D) Public interest.

2. Which of the following is the default rule in mu'amalat (interpersonal dealings)?

A) Impermissibility until proven permitted.
B) Permissibility (ibahah) unless a clear prohibition exists.
C) Mandatory execution of all contracts.
D) Immutability identical to 'ibadat.

3. What are the primary sources of Islamic commercial law stated in the source?

A) Istihsan, maslahah, 'urf, and ijma'.
B) Qur'an, Sunnah, ijma', and qiyas.
C) Tirmidhi, 'urf, maslahah, and qiyas.
D) Maqasid, ibahah, 'ibadat, and fiqh.

4. Which higher objective (Maqasid al-Shari'ah) is specifically protected through Islamic financial jurisprudence?

A) Protection of wealth (mal).
B) Absolute maximization of profit.
C) Universal elimination of trade contracts.
D) Fixed devotional performance of 'ibadat.

Answer Key

* **1. A** — Fiqh literally means deep understanding in Islamic jurisprudence.

* **2. B** — The default rule governing mu'amalat is permissibility (ibahah) unless a clear prohibition exists.

* **3. B** — The primary sources of Islamic commercial law are the Qur'an, Sunnah, ijma', and qiyas.

* **4. A** — Islamic financial jurisprudence exists to protect wealth (mal) as one of the higher objectives of Islamic law.

Lesson 2: 2. The Concept of 'Aqd (Contract)

1. What happens to a contract if a fundamental pillar (rukn) is missing?

A) It is sahih.
B) It is fasid.
C) It is batil (void) and has no legal effect at all.
D) It is automatically converted into a loan.

2. A sale executed with an unknown price is classified under Islamic contract law as:

A) Sahih (valid).
B) Batil (void).
C) Fasid (defective), which must be corrected or cancelled.
D) Khiyar al-majlis.

3. What does the term "majlis al-'aqd" refer to in contract formation?

A) Full legal capacity of a minor.
B) The session of contracting where offer and acceptance occur.
C) An option granted to cancel a contract after one year.
D) The higher objective of wealth protection.

4. Which of the following is required for full legal capacity (ahliyyah)?

A) Puberty, sanity, and prudence.
B) Absence of subject matter.
C) Unilateral cancellation by a third party.
D) Excessive uncertainty (gharar).

Answer Key

* **1. C** — If a pillar is missing, the contract is batil (void) with no legal effect.

* **2. C** — Missing a condition such as a known price makes a sale fasid (defective), requiring correction or cancellation.

* **3. B** — Majlis al-'aqd is the session of contracting in which offer and acceptance take place.

* **4. A** — Full legal capacity (ahliyyah) requires puberty, sanity, and prudence.

Lesson 3: 3. Riba: The Prohibition of Interest

1. What is Riba al-nasi'ah?

A) Spot exchange of gold for silver.
B) Any contractual increase charged on a loan for deferment or time.
C) Sale of goods at cost price without profit.
D) A joint partnership where loss follows capital ratios.

2. Exchanging 1 kg of dates for 2 kg of dates on the spot is an example of:

A) Riba al-fadl.
B) Riba al-nasi'ah.
C) Bay' al-tawliyah.
D) Bay' al-salam.

3. Which of the following is NOT listed among the six ribawi commodities in the hadith of 'Ubadah ibn al-Samit?

A) Gold and silver.
B) Wheat and barley.
C) Dates and salt.
D) Horses and camels.

4. According to the Hanafi school, what is the 'illah (effective cause) for riba al-fadl?

A) Being currency or food.
B) Same genus plus measurability.
C) Deferment of payment only.
D) Manufacturing to specification.

Answer Key

* **1. B** — Riba al-nasi'ah is the contractual increase charged on a loan for deferment or time.

* **2. A** — Exchanging unequal amounts of the same ribawi commodity on the spot constitutes riba al-fadl.

* **3. D** — The six ribawi commodities explicitly listed are gold, silver, wheat, barley, dates, and salt.

* **4. B** — The Hanafi school identifies the 'illah for riba al-fadl as same genus combined with measurability.

Lesson 4: 4. Gharar, Maysir and Prohibited Elements

1. What is the definition of gharar in Islamic commercial transactions?

A) Contractual increase charged for deferment of time.
B) Excessive uncertainty or deception that may lead to dispute.
C) Mutual donation to a common pool.
D) Transfer of debt obligation to a third party.

2. Which type of uncertainty is tolerated in Islamic contract law?

A) Major uncertainty (gharar fahish) touching contract pillars.
B) Minor, unavoidable uncertainty (gharar yasir).
C) Complete ignorance of price and subject matter.
D) Sale of fish still swimming in the sea.

3. How does the Qur'an describe maysir (gambling)?

A) Permissible trade with mutual consent.
B) A great sin and an abomination of Satan's handiwork.
C) A secondary tool of juristic preference.
D) The default rule of interpersonal dealings.

4. What is the prohibited practice of "najsh"?

A) Hoarding goods to manipulate market prices.
B) False bidding to artificially inflate prices.
C) Coercing a party into signing a contract.
D) Selling manufactured goods in installments.

Answer Key

* **1. B** — Gharar is defined as excessive uncertainty or deception in a contract that may lead to dispute.

* **2. B** — Minor, unavoidable uncertainty (gharar yasir) is tolerated and excused in contracts.

* **3. B** — The Qur'an groups maysir with intoxicants, calling it a great sin and Satan's handiwork.

* **4. B** — Najsh refers specifically to false bidding designed to artificially inflate prices.

Lesson 5: 5. Bay': The Contract of Sale

1. What is Bay' al-murabaha?

A) Sale at cost without profit.
B) Sale at a disclosed loss.
C) Sale at cost plus an agreed, disclosed profit margin.
D) Currency exchange on a spot basis.

2. Which contract requires full advance payment at the time of contract for future delivery of fungible goods?

A) Istisna'.
B) Bay' al-salam.
C) Bay' al-wadi'ah.
D) Bay' al-musawamah.

3. How does Istisna' differ from Bay' al-salam regarding payment terms?

A) Istisna' requires full advance payment at contract signing.
B) Istisna' allows deferred or installment payments, whereas salam requires full advance payment.
C) Istisna' prohibits any cash payment.
D) Istisna' is restricted strictly to agricultural commodities.

4. What type of sale refers to selling an item at cost price without taking any profit?

A) Bay' al-tawliyah.
B) Bay' al-wadi'ah.
C) Bay' al-sarf.
D) Bay' al-murabaha.

Answer Key

* **1. C** — Bay' al-murabaha is a sale at cost plus a disclosed profit margin.

* **2. B** — Bay' al-salam requires full advance payment at contract execution for future delivery of fungible goods.

* **3. B** — Istisna' permits deferred or stage-based payments, whereas salam requires complete advance payment.

* **4. A** — Bay' al-tawliyah is defined as a sale at cost without any profit margin.

Lesson 6: 6. Murabaha: Cost-Plus Financing

1. What is the core feature that distinguishes a Murabaha transaction from an interest-based loan?

A) The bank charges interest based on market rates.
B) The bank buys and owns the asset, taking ownership risk before selling it at a disclosed cost plus profit margin.
C) The bank guarantees that the client will receive a profit return.
D) The price is adjusted and compounded if the customer defaults.

2. According to AAOIFI standards, how must the bank's purchase and sale be structured in a bank Murabaha?

A) As a single combined agreement.
B) As two separate contracts.
C) As a loan agreement followed by a penalty clause.
D) As a partnership where losses are shared equally.

3. What happens to the fixed sale price in a Murabaha contract if the buyer defaults on payments?

A) The price increases automatically to account for delay.
B) The debt is compounded monthly.
C) The price cannot be increased on default, though late penalties may be directed to charity.

D) The contract converts into an interest-bearing loan.

4. In a Murabaha to the purchase orderer structure, what level of possession by the bank is sufficient before selling to the customer?

A) Physical delivery only.
B) Constructive possession.
C) No ownership or possession is required.
D) Permanent ownership that cannot be transferred.

Answer Key

* **1. B** — Murabaha involves a genuine sale with ownership risk on an asset, rather than an increase charged on a loan.

* **2. B** — AAOIFI standards mandate that the bank's initial purchase and subsequent sale to the client be executed as two separate contracts.

* **3. C** — Once fixed, the Murabaha price is frozen and cannot be increased on default; late penalties, if applied, must go to charity.

* **4. B** — Constructive possession by the bank prior to selling the asset to the client satisfies Shari'ah requirements.

Lesson 7: 7. Salam and Istisna' in Detail

1. Which condition is strictly required for a valid Salam contract according to the hadith narrated in Bukhari and Muslim?

A) Payment must be deferred until delivery.
B) Full advance payment at contract for goods of known measure, weight, and delivery term.
C) The subject matter must be a custom manufactured object.
D) The delivery date must remain flexible and unspecified.

2. How does Istisna' differ from Salam regarding payment terms?

A) Istisna' requires full advance payment at the session of contracting.
B) Istisna' does not require advance payment, allowing payment in installments or deferred terms.
C) Salam allows payment in installments while Istisna' requires full cash upfront.
D) Neither contract allows deferred payments under any circumstances.

3. In a parallel Salam arrangement, how does an Islamic bank earn a margin?

A) By charging interest on advanced funds.
B) By entering back-to-back Salam contracts as a buyer from a producer and a seller to a buyer.
C) By taking an equity share in the farmer's land.
D) By issuing interest-bearing bonds.

4. According to the Hanafi view, when does an Istisna' contract become non-revocable unilaterally?

A) Before the contract is signed.
B) Once manufacture begins.
C) Only after full payment is received.
D) Upon completion of delivery.

Answer Key

* **1. B** — Salam requires full advance payment at the time of contract for fungible goods with specified measure, weight, and delivery date.

* **2. B** — Unlike Salam, Istisna' requires no full advance payment and permits flexible or installment payment options.

* **3. B** — In parallel Salam, the bank executes two separate back-to-back Salam contracts to earn a trading margin.

* **4. B** — Under the Hanafi school, an Istisna' contract cannot be cancelled unilaterally once manufacturing has commenced.

Lesson 8: 8. Ijara: Leasing

1. In an Ijara contract, what is specifically transferred from the lessor to the lessee?

A) Ownership of the corpus asset.
B) Transfer of usufruct (manfa'ah) for an agreed consideration (ujrah).
C) A debt obligation bearing interest.
D) Permanent equity share in the bank.

2. Who bears the ownership risks, such as major maintenance and insurance of the corpus, in an Ijara contract?

A) The lessee alone.
B) The lessor.
C) The government.
D) Both parties equally as a penalty.

3. What must be done in Ijara muntahia bittamlik to avoid the prohibition of 'two transactions in one'?

A) Combine the lease and sale into a single clause.
B) Keep the lease contract and the promise to transfer ownership as separate documents.
C) Require the lessee to pay full price upfront.
D) Prohibit the transfer of ownership at any time.

4. What happens to rent payments if the leased asset is totally destroyed without the lessee's negligence?

A) Payments continue until the original lease term ends.
B) The lease terminates and no further rent accrues.
C) Rent is doubled to compensate the lessor.
D) The contract automatically converts into a Murabaha loan.

Answer Key

* **1. B** — Ijara is the sale of usufruct (manfa'ah) for rent (ujrah), while the lessor retains asset ownership.

* **2. B** — The lessor retains asset ownership and is responsible for major maintenance and corpus insurance.

* **3. B** — To comply with Shari'ah and avoid combining two contracts in one, the lease agreement and ownership transfer promise must remain distinct documents.

* **4. B** — Total destruction without lessee negligence terminates the Ijara contract, halting any further rent obligations.

Lesson 9: 9. Mudarabah and Musharakah: Partnerships

1. In a Mudarabah contract, who bears the financial loss if the business incurs a loss without negligence or breach?

A) The mudarib (working partner) bears all financial losses.
B) The rabb al-mal (capital provider) bears the financial loss, while the mudarib loses effort.
C) The bank guarantees that no financial loss will occur.
D) Both parties split financial losses equally regardless of capital contribution.

2. How are financial losses distributed among partners in a Musharakah partnership?

A) Strictly in proportion to each partner's capital contribution.
B) Based on an arbitrary agreed profit ratio.
C) Borne entirely by the managing partner.
D) Paid by the government insurance fund.

3. What is the standard partnership structure used for Islamic home financing in Pakistan where the bank's share is gradually bought out?

A) Shirkat al-mufawada.
B) Diminishing musharakah (musharaka mutanaqisa) combined with ijara.
C) Mudarabah al-muqayyadah.
D) Salam financing.

4. In both Mudarabah and Musharakah, what type of return is strictly prohibited?

A) Sharing profits based on an agreed ratio.
B) Guaranteeing a fixed profit return on capital.
C) Distributing profit after auditing.
D) Allowing one partner to manage business operations.

Answer Key

* **1. B** — In Mudarabah, financial loss is borne solely by capital (rabb al-mal), whereas the working partner loses invested effort.

* **2. A** — In Musharakah, losses must be shared strictly according to each partner's capital ratio.

* **3. B** — Diminishing musharakah combined with ijara allows the client to progressively purchase the bank's asset share in home financing.

* **4. B** — Guaranteeing a fixed return on capital is prohibited as it constitutes riba.

Lesson 10: 10. Wakalah, Kafalah, Hawalah and Rahn

1. What is Wakalah in Islamic commercial law?

A) An agency contract where one person authorizes another to act on their behalf for a fee or performance incentive.
B) A pledge of physical collateral for a debt.
C) A transfer of debt from one debtor to another.
D) A guarantee of a third party's obligation without fee.

2. In a Kafalah (guarantee) contract, what fee restriction applies to the guarantor?

A) The guarantor may charge a fee for the guarantee amount itself.
B) The guarantor may charge a service fee (ujr), but not a fee based on the guaranteed debt amount.
C) No fees or service charges are allowed under any circumstances.
D) The guarantor must collect interest on the debt.

3. What does the contract of Hawalah facilitate?

A) Transfer of usufruct over leased property.
B) Transfer of an established debt obligation from one debtor to another.
C) Forward purchase of agricultural produce.
D) Joint partnership in labor and capital.

4. In a Rahn (pledge) contract, what is the pledgee forbidden from doing with the pledged asset?

A) Holding the asset as security for a debt.
B) Benefiting from the pledged asset, as that would constitute riba.
C) Returning the asset upon repayment of debt.
D) Inspecting the asset's condition.

Answer Key

* **1. A** — Wakalah is an agency agreement where an agent (wakil) acts on behalf of a principal.

* **2. B** — A guarantor in Kafalah can charge for actual services rendered (ujr), but cannot charge a fee for providing the guarantee amount itself.

* **3. B** — Hawalah is the contract used to transfer an established debt from one debtor to another.

* **4. B** — The pledgee holding Rahn cannot derive profit or benefit from the pledged property, which would amount to riba.

Lesson 11: 11. Takaful: Islamic Insurance

1. What are the primary grounds on which classical scholars object to conventional insurance?

A) Lack of capital investment and excess liquidity.
B) Gharar (uncertainty of payout), maysir (chance-based gain), and riba (investment of premiums at interest).
C) High administration fees and lack of government supervision.
D) Absence of physical asset ownership in insurance policies.

2. How does the takaful model replace the sale of risk present in conventional insurance?

A) Through fixed interest payments provided to policyholders.
B) Through mutual contribution where participants donate (tabarru') to a common pool.
C) By transferring all underwriting risk directly to shareholders.
D) By issuing interest-bearing bonds to cover claims.

3. In the Wakalah takaful model, how does the operator manage the pool?

A) The operator acts as an agent and manages the pool for a fee.
B) The operator receives all underwriting surplus as corporate profit.
C) The operator guarantees a fixed profit return to investors.
D) The operator absorbs all operational financial losses out of capital.

4. In Pakistan, which body regulates takaful under the Takaful Rules 2012?

A) State Bank of Pakistan Shari'ah Board.

B) Securities and Exchange Commission of Pakistan (SECP).
C) Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
D) Islamic Financial Services Board (IFSB).

Answer Key

* **1. B** — Classical scholars object to conventional insurance due to gharar, maysir, and riba.

* **2. B** — Takaful relies on mutual contribution and donation (tabarru') to a common pool rather than buying or selling risk.

* **3. A** — In the Wakalah model, the operator manages the takaful pool as an agent in exchange for a fee.

* **4. B** — Takaful in Pakistan is regulated by the SECP under the Takaful Rules 2012.

Lesson 12: 12. Sukuk: Islamic Capital Market Instruments

1. What do sukuk certificates represent for holders, distinguishing them from conventional bonds?

A) Pure debt claims earning fixed interest.
B) Undivided ownership in tangible assets, usufruct, or a business venture.
C) Non-refundable monetary donations to financial institutions.
D) Unsecured loans granted directly to the government.

2. Which sukuk structure is the most common and involves an SPV buying assets and leasing them back?

A) Sukuk al-mudarabah.
B) Sukuk al-ijara.
C) Sukuk al-salam.
D) Sukuk al-istisna'.

3. Under Islamic commercial rules, which type of sukuk is generally NOT tradable at face value rules?

A) Sukuk representing real tangible assets.
B) Sukuk representing usufruct.
C) Pure debt receivables like murabaha or salam receivables.
D) Sukuk backed by business ventures.

4. Which institutions in Pakistan approve the structures for government and corporate sukuk issues?

A) The Ministry of Finance and foreign commercial banks.
B) The Shari'ah Advisory Board of SBP and SECP Shari'ah boards.
C) AAOIFI and IFSB supreme councils exclusively.
D) The State Stock Exchange Trading Committee.

Answer Key

* **1. B** — Sukuk represent undivided ownership in real assets, usufruct, or ventures rather than interest-bearing debt claims.

* **2. B** — Sukuk al-ijara is the most common structure, where an SPV purchases assets and leases them back.

* **3. C** — Sukuk representing pure debt receivables (such as murabaha or salam receivables) are generally not tradable at face value.

* **4. B** — Sukuk structures in Pakistan are approved by the Shari'ah Advisory Board of SBP and SECP Shari'ah boards.

Lesson 13: 13. Shari'ah Governance and Islamic Banking in Pakistan

1. What is the primary role of an Islamic bank's internal Shari'ah Board?

A) To manage daily cash operations and customer service.
B) To approve products, audit compliance, and issue rulings.
C) To determine interest rates and market inflation targets.
D) To underwrite general insurance policies for corporate clients.

2. What must be done with non-compliant or impure income earned by an Islamic bank?

A) It is distributed to shareholders as bonus dividends.
B) It is added to the bank's general reserve fund.
C) It must be purified by giving it to charity.
D) It is returned to the central bank as tax.

3. Which international body based in Bahrain issues Shari'ah, accounting, and governance standards for Islamic finance?

A) IFSB (Malaysia).
B) SECP (Pakistan).
C) AAOIFI (Bahrain).
D) State Bank of Pakistan.

4. What is the primary role of the Islamic Financial Services Board (IFSB) based in Malaysia?

A) Issuing prudential standards for Islamic financial institutions.
B) Managing sovereign ijara sukuk issuances.
C) Regulating general takaful companies in South Asia.
D) Approving individual commercial sales contracts.

Answer Key

* **1. B** — An Islamic bank's Shari'ah Board is responsible for approving products, auditing compliance, and issuing rulings.

* **2. C** — Non-compliant income cannot be retained as profit and must be purified by donation to charity.

* **3. C** — AAOIFI, based in Bahrain, sets international Shari'ah, accounting, and governance standards.

* **4. A** — IFSB, based in Malaysia, issues prudential standards for Islamic financial institutions.

Lesson 14: 14. Contemporary Issues and Exam Pointers

1. How is tawarruq (commodity murabaha for cash) viewed among scholars in contemporary Islamic finance?

A) Universal agreement that it is the preferred mode for all transactions.
B) Permitted by some scholars, but viewed by others as a legal trick (hilah).
C) Strictly forbidden by all Islamic financial institutions without exception.

D) Classified as a core form of mudarabah partnership.

2. Is benchmarking profit or rent rates to KIBOR permitted in Islamic finance?

A) Yes, it is permitted as a pricing reference, not as interest.
B) No, using KIBOR automatically converts a sale into a riba contract.
C) It is permitted only if the benchmark rate is fixed for 50 years.
D) It is allowed only in agricultural salam contracts.

3. Where must late-payment penalties collected from defaulting clients be directed?

A) Added to the bank's net profit margin.
B) Given to charity, rather than kept as bank income.
C) Paid directly to the central bank governor.
D) Returned to the defaulting client at year-end.

4. Which four key angles are highlighted as covering nearly every BNK612 exam question?

A) Historical biographies, general accounting, stock market analysis, and macroeconomics.
B) Definitions, pairwise comparisons, step-by-step mechanisms, and scriptural evidences.
C) Currency trading rules, maritime laws, civil litigation, and corporate taxation.
D) Property appraisal, derivative pricing, bond yields, and commercial leasing math.

Answer Key

* **1. B** — Tawarruq is permitted by some scholars but criticized by others as a legal trick (hilah).

* **2. A** — Benchmarking to KIBOR is permissible when used strictly as a pricing reference rather than as interest.

* **3. B** — Late-payment penalties cannot form part of bank income and must be donated to charity.

* **4. B** — The four key exam angles are definitions, pairwise comparisons, step-by-step mechanisms, and scriptural evidences.

End of Quiz

BNK612 — 56 solved MCQs
Prepared by VU Learning HUB
vulearninghub.xyz

ng HUB
earning HUB
earning HUB