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BNK611 Quiz File

Chapter-wise Solved MCQs

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Lesson 1: Islamic Worldview and Economic Thought

1. What are the three foundational principles of the Islamic worldview in economics?

- A) Efficiency, capital, and free trade
- B) Tawhid, khilafah, and adalah
- C) Individualism, competition, and profit
- D) Collective ownership, planning, and state control

2. In Islamic economics, who holds absolute ownership of all resources?

- A) The state
- B) Individual property owners
- C) Allah, while humans hold property as a trust (amanah)
- D) Financial institutions

3. How does the Islamic diagnosis explain resource scarcity?

- A) It denies that scarcity exists in any form
- B) It attributes scarcity entirely to absolute physical limits
- C) It notes that much scarcity is relative, caused by hoarding, waste (israf), and unjust distribution
- D) It blames technological stagnation

4. What are the five higher objectives of Islamic law (Maqasid al-Shariah)?

- A) Wealth, power, authority, trade, and industry
- B) Faith (religion), life, intellect, lineage, and property
- C) Land, labor, capital, enterprise, and market
- D) Prices, wages, profits, rents, and taxes

Answer Key

- * **1. B** — Islamic economics is built on tawhid (unity of God), khilafah (trusteeship), and adalah (justice).
- * **2. C** — Absolute ownership belongs to Allah, and humans hold property as a trust (amanah).
- * **3. C** — Scarcity is recognized but given a moral dimension: much scarcity is relative due to hoarding, waste (israf), and unjust distribution.
- * **4. B** — Maqasid al-Shariah represents the preservation of faith, life, intellect, lineage, and property.

Lesson 2: Islam vs Capitalism vs Socialism

1. Why did the Prophet (PBUH) refuse to fix market prices?

- A) Because state legislation prohibited price controls
- B) Because Allah is the price-setter, affirming the market mechanism within Shariah constraints
- C) Because price regulation is a mandatory feature of capitalism
- D) Because price fixing was strictly reserved for foreign merchants

2. What is Ihtikar as defined in the source material?

- A) The guaranteed excess demanded on a cash loan
- B) The Islamic prohibition of hoarding essential goods to force prices up
- C) A perpetual charitable endowment for public benefit
- D) The minimum threshold required for paying zakat

3. What is the central Islamic critique of socialism?

- A) It places excessive trust in market self-interest
- B) It denies legitimate private incentive and leads to bureaucratic tyranny
- C) It allows unrestricted private ownership of property
- D) It relies heavily on interest-based financial contracts

4. Why is the Islamic economic system described as an independent 'third way'?

- A) It is a temporary hybrid combining features of capitalism and socialism
- B) It is an independent system built on its own axioms and judged by Shariah conformity
- C) It relies entirely on state-directed price controls
- D) It forbids all private trade and enterprise

Answer Key

- * **1. B** — The Prophet (PBUH) affirmed market allocation under moral constraints by stating that Allah is the price-setter.
- * **2. B** — Ihtikar is defined as the prohibition of hoarding essential goods to force prices up.
- * **3. B** — Socialism is critiqued in Islam for suppressing legitimate private incentives and leading to bureaucratic tyranny.
- * **4. B** — The Islamic system is an independent system with its own worldview and Shariah criteria, not merely a compromise between other systems.

Lesson 3: Prohibition of Riba, Gharar, and Maysir

1. How is Riba defined in classical Islamic jurisprudence?

- A) Any profit earned from trading physical commodities
- B) Any contractually guaranteed excess over the principal of a loan
- C) Any voluntary gift given at the end of a transaction
- D) Any loss incurred in a business partnership

2. Which form of riba refers specifically to an excess demanded for deferred payment?

- A) Riba al-fadl
- B) Riba al-nasi'ah
- C) Gharar
- D) Maysir

3. What risk-sharing modes does Islam promote to replace interest-based transactions?

- A) Riba and Maysir
- B) Mudarabah (profit-sharing) and Musharakah (partnership)
- C) Israf and Tabdhir
- D) Hisbah and Ushr

4. What is Gharar as defined in the source document?

- A) Excessive uncertainty or ambiguity in a contract's terms
- B) Unjust price manipulation by market regulators
- C) A benevolent interest-free loan
- D) A tax on agricultural output

Answer Key

- * **1. B** — Riba is defined as any contractually guaranteed excess over the principal of a loan.

* **2. B** — Riba al-nasi'ah is excess for deferred payment, whereas riba al-fadl is unequal spot exchange.

* **3. B** — Islam replaces guaranteed interest with participatory risk-sharing models like mudarabah and musharakah.

* **4. A** — Gharar is defined as excessive uncertainty or ambiguity regarding contract terms beyond trivial levels.

Lesson 4: Zakat, Waqf, and Distributive Justice

1. What is the standard zakat rate levied on qualifying wealth held for a lunar year above the nisab threshold?

- A) 1.0%
- B) 2.5%
- C) 5.0%
- D) 10.0%

2. How is Nisab defined in the text?

- A) The central public treasury of the Islamic state
- B) The minimum wealth threshold above which zakat becomes obligatory
- C) The markup charged in a cost-plus sale
- D) The maximum limit allowed for private property ownership

3. What is Waqf as defined in the source document?

- A) A short-term commercial loan
- B) A perpetual charitable endowment whose principal is preserved and whose income funds public benefit
- C) A compulsory state tax on industrial output
- D) An emergency price control mechanism

4. What major economic effect does zakat have on idle wealth?

- A) It encourages long-term cash hoarding
- B) It penalizes idle wealth, pushing funds into investment and supporting demand
- C) It restricts private investment in commercial enterprises
- D) It mandates complete state ownership of all savings

Answer Key

* **1. B** — Zakat is obligatory at a rate of 2.5% on qualifying wealth held for a lunar year above the nisab threshold.

* **2. B** — Nisab is defined as the minimum wealth threshold triggering zakat liability.

* **3. B** — Waqf is defined as a perpetual endowment preserving principal while dedicating income to public benefit.

* **4. B** — Zakat taxes idle wealth at 2.5%, penalizing hoarding and encouraging productive investment.

Lesson 5: Islamic Banking and Finance

1. How is Murabahah defined in Islamic banking practice?

- A) A partnership where profits and losses are shared equally

- B) A cost-plus sale contract where the bank buys an asset and resells it at a disclosed markup on deferred payment
- C) A leasing agreement where usufruct is transferred for rent
- D) An equity investment fund

2. What do Sukuk certificates represent in Islamic finance?

- A) Pure debt claims yielding guaranteed interest
- B) Ownership in underlying tangible assets or usufruct
- C) Unsecured government promissory notes
- D) Non-binding promises to donate to charity

3. Which financing mode is defined as an advance payment for future delivery, commonly used in agriculture?

- A) Istisna
- B) Salam
- C) Ijarah
- D) Takaful

4. What target deadline did the 2022 Federal Shariat Court (FSC) ruling set for eliminating interest from Pakistan's financial system?

- A) 2024
- B) 2025
- C) 2027
- D) 2030

Answer Key

- * **1. B** — Murabahah is defined as a cost-plus sale contract featuring a disclosed markup and deferred payment terms.
- * **2. B** — Sukuk are investment certificates representing ownership in tangible assets or usufruct, not debt claims.
- * **3. B** — Salam is an advance payment contract for future delivery, historically applied in agriculture.
- * **4. C** — Pakistan's FSC 2022 judgment ordered the full elimination of interest-based banking by 2027.

Lesson 6: Market Ethics and the Islamic State

1. What is the classical Islamic institution responsible for market inspection, checking weights and measures, and enforcing moral conduct in commerce?

- A) Bay' al-amanah
- B) Hisbah
- C) Waqf
- D) Riba al-fadl

2. Which prohibited market practice involves fake bidding in an auction or transaction to artificially inflate prices?

- A) Tadlis
- B) Najsh
- C) Khiyar al-'ayb
- D) Maslahah

3. What consumer protection right in Shariah allows a buyer to rescind a purchase upon discovering a hidden defect in the good?

- A) Bay' al-amanah
- B) Khiyar al-'ayb
- C) Najsh
- D) Tadlis

4. According to classical jurists such as Ibn Taymiyyah, when is state price regulation permissible in Islam?

- A) Under all normal market conditions to maximize state tax revenue
- B) During emergency situations to prevent market exploitation and unjust hoarding
- C) Never under any circumstances, even during famines or crises
- D) Exclusively to protect foreign commercial monopolies

Answer Key

* **1. B** — Hisbah is the classical Islamic institution of market inspection and moral regulation of commerce headed by the muhtasib.

* **2. B** — Najsh is defined as fake bidding intended to artificially inflate prices, which is strictly prohibited in Islamic market ethics.

* **3. B** — Khiyar al-'ayb gives buyers the right of rescission if a hidden defect is discovered in purchased goods.

* **4. B** — While free price formation is standard, classical jurists like Ibn Taymiyyah permit state price controls during emergencies to prevent hoarding and market abuse.

Lesson 7: Development, Poverty, and Falah

1. How does the source document define 'Falah' as the core Islamic development objective?

- A) Maximization of real GDP growth alone
- B) Comprehensive human well-being and success in this world and the Hereafter
- C) Total state ownership and centralized planning of all industrial sectors
- D) Complete elimination of private property ownership

2. What Qur'anic principle (based on 62:10) links worship with active economic effort by commanding believers to disperse in the land and search for sustenance?

- A) Seeking bounty
- B) Israf
- C) Riba al-nasi'ah
- D) Qard-hasan

3. In what cascading order does the Islamic anti-poverty framework assign responsibility for addressing poverty?

- A) State → international donors → community → individual
- B) Individual effort → family support → community (zakat/waqf) → state guarantee
- C) Foreign aid → market forces → individual → family
- D) Central bank → commercial banks → family → individual

4. Which prominent Pakistan-based institution is cited as an operational model of interest-free microfinance using qard-hasan loans with community guarantees?

- A) Meezan Bank
- B) Akhuwat
- C) Council of Islamic Ideology
- D) State Bank of Pakistan

Answer Key

* **1. B** — Falah is defined as comprehensive human well-being and success in both this world and the Hereafter.

* **2. A** — Seeking bounty is the Qur'anic principle based on verse 62:10 that links worship with active economic effort.

* **3. B** — Responsibility for poverty relief cascades from individual effort to family support, community mechanisms, and ultimately the state.

* **4. B** — Akhuwat provides interest-free microfinance through qard-hasan loans backed by community guarantees.

Lesson 8: Islamic Economics in Pakistan

1. What major legislative step toward economic Islamization took place in Pakistan during the Zia era in 1980?

- A) Complete nationalization of all private commercial banks
- B) Enactment of the compulsory Zakat and Ushr Ordinances
- C) Total abolition of all corporate tax exemptions
- D) Launch of the KMI All-Share Islamic Index

2. Which bank, established in 2002, was Pakistan's first full-fledged commercial Islamic bank?

- A) State Bank of Pakistan
- B) Meezan Bank
- C) Akhuwat Bank
- D) Federal Shariat Bank

3. What target deadline did Pakistan's Federal Shariat Court (FSC) set in its 2022 judgment for the complete elimination of interest from the country's banking system?

- A) 2024
- B) 2025
- C) 2027
- D) 2030

4. What proportion of Pakistan's total banking sector is comprised of Islamic banking as mentioned in the handout?

- A) Less than 1%
- B) ~20%+
- C) 50%
- D) Exactly 100%

Answer Key

- * **1. B** — The Zia era saw the enactment of the landmark 1980 Zakat and Ushr Ordinances.
- * **2. B** — Meezan Bank was established in 2002 as Pakistan's first full-fledged Islamic bank.
- * **3. C** — The Federal Shariat Court 2022 judgment ruled that interest-based banking must be eliminated by 2027.
- * **4. B** — Islamic banking has grown to represent over 20% (~20%+) of Pakistan's total banking sector assets.
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Lesson 9: Sources and Scholars

1. Which classical scholar authored 'Kitab al-Kharaj' to advise Caliph Harun al-Rashid on public finance and taxation reform?

- A) Ibn Khaldun
- B) Abu Yusuf
- C) Al-Ghazali
- D) Ibn Taymiyyah

2. What major 14th-century work by Ibn Khaldun contains pioneering theories on labor value, taxation, and economic cycles that prefigure the Laffer curve?

- A) Kitab al-Kharaj
- B) Muqaddimah
- C) Ihya Ulum al-Din
- D) Al-Hisbah

3. Which event in 1976 is credited in the source document with marking the modern systematization of Islamic economics into an academic discipline?

- A) The creation of Meezan Bank
- B) The First International Conference on Islamic Economics in Jeddah
- C) The enactment of the 1980 Zakat Ordinance
- D) The FSC Riba Judgment

4. What are the four primary foundational sources of Islamic economic thought identified in the text?

- A) Capitalism, Socialism, Mercantilism, and Feudalism
- B) Qur'an, Sunnah, fiqh, and classical scholarly tradition
- C) Federal Shariat Court rulings, SBP policy rates, KIBOR, and SECP regulations
- D) Commercial law, corporate taxation, accounting standards, and trade agreements

Answer Key

- * **1. B** — Abu Yusuf (d. 798) wrote Kitab al-Kharaj as a treatise on public finance and taxation reform for Harun al-Rashid.
- * **2. B** — Ibn Khaldun's Muqaddimah presented theories on taxation, labor, and economic development 600 years before modern economics.
- * **3. B** — The modern discipline was formally systematized starting at the 1976 Jeddah conference.
- * **4. B** — Islamic economic thought derives from four core sources: the Qur'an, Sunnah, fiqh, and classical scholarship.
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Lesson 10: Production, Work, and Entrepreneurship

1. What status does an authentic hadith assign to the honest and ethical Muslim merchant?

- A) Ranked alongside martyrs
- B) Barred from holding public office
- C) Classified as a state tax collector
- D) Subject to mandatory price ceilings

2. What specific labor rule is highlighted in the text to emphasize timely and dignified wage payment?

- A) Pay workers exclusively in commodity gold
- B) Pay the worker before his sweat dries
- C) Defer wage payments until quarterly financial audits
- D) Cap wages at the minimum zakat threshold

3. Under Islamic production ethics, which of the following activities is strictly prohibited?

- A) Earning legitimate profit through transparent trade
- B) Producing haram goods such as alcohol or gambling services
- C) Entering into mudarabah business partnerships
- D) Investing capital in physical equipment and machinery

4. What is the mainstream Islamic economics view regarding profit maximization for a firm?

- A) Unrestricted profit maximization regardless of social consequences
- B) Total prohibition of all profit-making activities
- C) Legitimate profit generation constrained by Shariah ethics and social responsibility
- D) Profit maximization enforced exclusively through state price setting

Answer Key

* **1. A** — Hadith praise ranks the honest merchant alongside martyrs for ethical commercial conduct.

* **2. B** — The standard 'pay the worker before his sweat dries' establishes a benchmark for timely wage payment.

* **3. B** — Production ethics prohibit the manufacture or sale of haram items like alcohol and gambling services.

* **4. C** — Profit earning is legitimate but is constrained by Shariah ethical limits and duties to society.

Lesson 11: Consumption Ethics

1. What two extremes does Islamic consumption ethics steer between?

- A) Free trade and protectionism
- B) Miserliness (bukhl) and extravagance (israf/tabdhir)
- C) Public spending and state price controls
- D) Fixed interest rates and floating wages

2. According to the text, what replaces conventional utility maximization in Islamic consumer theory?

- A) Unrestricted wealth accumulation
- B) Need-fulfillment within moral and Shariah bounds
- C) Compulsory state allocation of goods
- D) Total avoidance of private property

3. Which Qur'anic description (17:27) is applied to those who engage in squandering and wasteful extravagance (tabdhir)?

- A) Guardians of the market
- B) Brothers of devils
- C) Trustees of wealth
- D) Reformers of society

4. How do Islamic inheritance laws systematically affect wealth distribution across generations?

- A) They consolidate total wealth into a single state enterprise
- B) They fragment large estates among fixed legal heirs, preventing dynastic wealth concentration
- C) They eliminate private ownership rights entirely
- D) They mandate that all assets be transferred to foreign donors

Answer Key

* **1. B** — Islamic consumption ethics maintains a middle path between miserliness (bukhl) and wasteful extravagance (israf/tabdhir).

* **2. B** — Islamic consumer theory replaces utility maximization with need-fulfillment within ethical bounds.

* **3. B** — Verse 17:27 of the Qur'an explicitly describes squanderers as "brothers of devils".

* **4. B** — Fixed inheritance shares systematically deconcentrate wealth by fragmenting large estates across legal heirs each generation.

Lesson 12: Distribution: Wages, Profit, and Justice

1. Under Islamic distribution theory, what is the lawful factor return for enterprise and risk-bearing?

- A) Riba
- B) Ujrah
- C) Profit
- D) Ghabn

2. What is Ghabn as defined in the source document?

- A) A guaranteed interest return on cash loans
- B) Deception or exploitation in exchange through misinformation or unfair pricing
- C) A perpetual charitable endowment
- D) The standard rate for obligatory zakat

3. How does Islam treat economic inequality of outcome compared to process injustice?

- A) It strictly mandates equal economic outcomes for all individuals
- B) It permits outcome inequality from fair contracts, but forbids process injustice and destitution
- C) It prohibits private bargaining and market wages
- D) It requires immediate state confiscation of private capital

4. Which factor return is strictly forbidden in Islam because it represents a guaranteed return without risk or effort?

- A) Rent (ijarah)
- B) Profit from risk-sharing

- C) Riba
- D) Wages (ujrah)

Answer Key

- * **1. C** — Profit is the legitimate return for enterprise and risk-bearing, whereas wages (ujrah) reward labor.
- * **2. B** — Ghabn is defined as deception or exploitation in exchange, such as selling at a grossly unfair price through misinformation.
- * **3. B** — Islam tolerates outcome inequality resulting from just market contracts, but rejects process injustice and guarantees a sufficiency floor against destitution.
- * **4. C** — Riba is strictly forbidden because it yields a contractually guaranteed return without risk or productive effort.

Lesson 13: Money and Monetary Policy

1. What juristic principle forms the basis for validating modern fiat money in contemporary Islamic jurisprudence?

- A) Thamaniyyah bi'l-urf (money accepted by social convention)
- B) Riba al-fadl
- C) Mandatory commodity backing
- D) Ihtikar

2. Why is inflation explicitly condemned from an Islamic monetary perspective?

- A) Because it increases central bank reserves automatically
- B) Because it causes an unjust erosion of debts, real wages, and purchasing power
- C) Because it forces all commercial transactions to return to gold dinars
- D) Because it eliminates the need for zakat collection

3. According to mainstream Islamic scholarship, does Islam strictly require money to be made of gold or silver?

- A) Yes, paper currency is universally prohibited by all scholars
- B) No, what matters are money's functions and Shariah contract rules against riba and gharar
- C) Yes, but only for international cross-border transactions
- D) No, because paper money is classified as gambling (maysir)

4. Which of the following is an interest-free monetary policy tool used by central banks in an Islamic framework?

- A) Discounting interest-bearing promissory notes
- B) Sukuk-based open-market operations and reserve requirements
- C) Setting a fixed KIBOR benchmark rate
- D) Mandatory price fixing on commodity markets

Answer Key

- * **1. A** — Thamaniyyah bi'l-urf defines money accepted by social convention, validating fiat currency in modern fiqh.
- * **2. B** — Inflation is condemned as an unjust erosion of debts and wages, making price stability a primary monetary objective.

* **3. B** — Mainstream scholars hold that metallic currency is not strictly required if money's functions and Shariah rules against riba and gharar are maintained.

* **4. B** — Central banks manage monetary liquidity without interest through reserve ratios and sukuk-based open-market operations.

Lesson 14: Fiscal Policy: Bait-ul-mal and Taxation

1. What was Caliph Umar's 'diwan' as described in the fiscal history section?

- A) A market regulation committee for checking commercial weights
- B) A systematized register of stipends for soldiers, scholars, and the needy
- C) A central bank policy rate mechanism
- D) An emergency price control ordinance

2. Under what condition do majority Islamic scholars permit state taxation beyond obligatory zakat?

- A) Under no circumstances whatsoever
- B) When genuine public needs exceed zakat revenue, justified by maslahah and equitable levying
- C) Exclusively during peacetime to fund royal courts
- D) Only on agricultural goods produced by foreign merchants

3. Which of the following was NOT a traditional revenue source for the classical Bait-ul-mal?

- A) Kharaj (land tax)
- B) Zakat
- C) Interest earned on sovereign cash reserves
- D) State property revenues

4. What is identified as the primary flaw in Pakistan's fiscal system when evaluated through an Islamic policy lens?

- A) Relying on zakat collection instead of trade tariffs
- B) A narrow, unjust tax base with massive exemptions rather than the tax instruments themselves
- C) The complete absence of public spending on national defense
- D) Mandatory balanced budgets enforced by scripture

Answer Key

* **1. B** — Umar's diwan was an early public welfare register that systematized state stipends for citizens.

* **2. B** — Taxes beyond zakat are lawful when public needs exceed zakat revenue, provided they are just, necessary, and justified by maslahah.

* **3. C** — The Bait-ul-mal collected legitimate revenues like zakat, kharaj, and state property income, but strictly excluded interest (riba).

* **4. B** — The source identifies Pakistan's narrow, unjust tax base and excessive exemptions as its core fiscal defect.

Lesson 15: International Trade in Islam

1. What is Sakk as defined in the source document?

- A) A classical Islamic commercial paper and the etymological origin of the word 'cheque'

- B) A compulsory tax levied on agricultural land
- C) An emergency market price regulation
- D) A penalty imposed for hoarding essential goods

2. What were the rates for 'Ushr' (customs duties) established under Caliph Umar's precedent?

- A) 25% on Muslims, 50% on dhimmis, 100% on hostile traders
- B) 2.5% on Muslims, 5% on dhimmis, and 10% on hostile traders
- C) 0% on all goods regardless of trader status
- D) 10% flat rate on all domestic transactions

3. How is the classical Islamic approach to international trade policy characterized in the text?

- A) Highly protectionist with strict bans on foreign merchants
- B) Generally liberal, featuring low differentiated customs duties and trust-based networks
- C) Centrally planned by the state treasury
- D) Relying exclusively on barter exchange

4. What modern trade finance instrument is widely used in Islamic banking to facilitate letters of credit?

- A) Interest-bearing export credit lines
- B) Murabahah-based trade finance contracts
- C) Currency swaps based on *riba al-fadl*
- D) Speculative *maysir* derivatives

Answer Key

- * **1. A** — Sakk is classical commercial paper that served as the etymological origin of the word 'cheque'.
- * **2. B** — Caliph Umar set ushr customs duties at 2.5% for Muslims, 5% for dhimmis, and 10% for hostile foreign traders.
- * **3. B** — Islamic trade policy was historically liberal, maintaining low customs duties and open commercial networks built on trust.
- * **4. B** — Islamic trade finance commonly utilizes murabahah-based arrangements for international letters of credit.

Lesson 16: Environment and Intergenerational Justice

1. What classical Islamic institution refers to designated conservation reserves where grazing and resource harvesting were restricted?

- A) Harim
- B) Hima
- C) Waqf
- D) Hisbah

2. In Islamic economics, how is human environmental stewardship derived?

- A) From the concept of absolute state ownership
- B) Directly from *khilafah*, where humans act as trustees rather than owners of nature
- C) Through speculative market trading
- D) From total deregulation of resource extraction

3. Which Qur'anic verse explicitly mentions that corruption has appeared on land and sea because of human actions?

- A) 2:275
- B) 17:27
- C) 30:41
- D) 62:10

4. Which modern financial instrument has been issued by countries such as Indonesia to fund climate and renewable energy projects Islamically?

- A) Conventional sovereign bonds
- B) Green Sukuk
- C) Riba-based commercial paper
- D) Speculative derivatives

Answer Key

* **1. B** — Hima is defined as classical Islamic conservation reserves where grazing and cutting were restricted.

* **2. B** — Environmental stewardship is rooted in khilafah, making humans accountable trustees of God's creation rather than absolute owners.

* **3. C** — Surah Ar-Rum verse 30:41 highlights environmental corruption resulting from human activities.

* **4. B** — Green Sukuk are asset-backed Islamic investment certificates used to fund climate and renewable energy projects.

Lesson 17: Islamic Capital Markets and Takaful

1. What process is used to cleanse non-compliant interest income from an otherwise Shariah-compliant stock investment?

- A) Devaluation
- B) Purification through charity
- C) Re-contracting via mudarabah
- D) Conversion into fiat money

2. Which financial ratio threshold is commonly used in Shariah stock screening to cap a company's debt level relative to its market capitalization?

- A) Under 5%
- B) Under 10%
- C) Below one-third (~33%)
- D) Exactly 75%

3. What is the fundamental difference between conventional insurance and Takaful?

- A) Takaful relies on risk transfer, whereas conventional insurance relies on state taxes
- B) Takaful replaces risk transfer with mutual contribution (tabarru) and shared guarantee
- C) Conventional insurance uses mudarabah, while Takaful uses interest
- D) Takaful is strictly prohibited in equity markets

4. What is Pakistan's Shariah-compliant equity benchmark index on the Pakistan Stock Exchange?

- A) KIBOR 100
- B) KMI All-Share Islamic Index

- C) SBP Sukuk Index
- D) FTSE 500 Islamic

Answer Key

- * **1. B** — Purification requires donating the non-compliant interest portion of stock dividends to charitable causes.
- * **2. C** — Financial screening benchmarks generally cap total debt relative to market capitalization below one-third.
- * **3. B** — Takaful replaces conventional risk transfer with mutual contribution and shared guarantee pools among participants.
- * **4. B** — The KMI All-Share Islamic Index serves as Pakistan's primary Shariah-compliant stock market benchmark.
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Lesson 18: Critiques and the Way Forward

1. What is the central theme of the 'form vs substance' debate in contemporary Islamic banking?

- A) That Islamic banks charge higher tax rates than state banks
- B) That Islamic finance replicates conventional interest economics while altering only legal contract forms
- C) That Islamic finance relies exclusively on gold dinars
- D) That Islamic banking is completely unregulated by central banks

2. What empirical observation was made regarding Islamic banks during the 2008 global financial crisis?

- A) They collapsed completely due to lack of asset backing
- B) They held fewer toxic assets due to prohibition of speculative derivatives, though they were not immune to broader downturns
- C) They outperformed conventional banks by charging variable interest rates
- D) They ceased all operations across the Gulf region

3. According to the text, by what criteria should the performance of Islamic economics be primarily judged?

- A) How closely its financial products mimic conventional Western banking
- B) Its ability to maximize corporate profit without state interference
- C) Its own higher objectives, such as *falah*, distributive justice, and economic stability
- D) Total growth in speculative stock trading volume

4. Which emerging frontier topics are highlighted in the forward agenda for Islamic economics *fiqh*?

- A) Mercantilism and state price fixing
- B) Cryptocurrency, AI-driven finance, and climate policy
- C) Feudal land tenure and *jizyah* administration
- D) Gold dinar mandates for corporate accounting

Answer Key

- * **1. B** — The form-vs-substance debate critiques Islamic finance for copying conventional interest economics under Shariah-compliant legal covers.

* **2. B** — Islamic banks held fewer toxic assets during the 2008 crisis due to asset-linking rules, though they remained vulnerable to real economic shocks.

* **3. C** — Islamic economics must be evaluated against its core objectives of human well-being (falah), justice, and financial stability.

* **4. B** — Modern fiqh frontiers include evaluating digital assets (cryptocurrency), AI finance, and climate sustainability.

Lesson 19: Contemporary Scholars and Debates

1. Which influential scholar authored 'Introduction to Islamic Finance' and represents the traditionalist scholarly position on riba?

- A) Fazlur Rahman
- B) Taqi Usmani
- C) Ibn Khaldun
- D) Adam Smith

2. What is the core feature of Nejatullah Siddiqi's proposed 'two-tier mudarabah' model for Islamic banking?

- A) Depositors share profits with the bank, which in turn shares profits with entrepreneurs
- B) The state fixes all bank interest rates twice a year
- C) Depositors receive guaranteed interest while entrepreneurs bear all losses
- D) Central banks collect compulsory zakat on commercial loans

3. What is the modernist viewpoint on bank interest advocated by scholars such as Fazlur Rahman?

- A) Bank interest is strictly identical to Qur'anic riba al-nasi'ah
- B) Riba applies only to exploitative usury, so modern bank interest may be permissible
- C) Bank interest should be replaced entirely by commodity gold exchange
- D) Interest-based loans should be reserved exclusively for foreign trade

4. Which scholar contributed extensively to Islamic monetary economics and the framework of an Islamic just economic order?

- A) Umer Chapra
- B) Abu Yusuf
- C) Al-Ghazali
- D) Fazlur Rahman

Answer Key

* **1. B** — Mufti Taqi Usmani is a leading traditionalist authority whose work shaped modern Shariah standards in Islamic finance.

* **2. A** — Two-tier mudarabah structures banking as dual profit-and-loss sharing contracts between depositors, the bank, and entrepreneurs.

* **3. B** — Modernists argue that Qur'anic riba refers specifically to exorbitant usury, distinguishing it from modern institutional banking interest.

* **4. A** — Dr. Umer Chapra contributed extensively to Islamic monetary policy and the structural framework of an Islamic economic order.

Lesson 20: Question Bank and Exam Technique

1. What three-part structure is recommended in the text for writing top-band evaluative long answers?

- A) Introduction → Definition → Conclusion
- B) Achievements → Critiques → Forward Agenda
- C) Theory → Mathematical proof → Summary
- D) History → Policy rate → Inflation index

2. According to exam guidance in the handout, what addition best anchors academic authority and earns precision marks?

- A) Memorizing conventional stock market indexes
- B) Including precise Arabic juristic terms with one-line definitions and citing Qur'anic verses
- C) Listing non-Shariah banking products
- D) Calculating compound interest rates

3. Which Qur'anic verses are specifically highlighted in the exam technique section to anchor key economic principles?

- A) 2:275 (prohibition of riba), 7:31 (moderation), and 51:19 (right of the poor)
- B) 1:1, 2:1, and 3:1
- C) 4:10, 5:20, and 6:30
- D) 9:1, 10:5, and 12:10

4. How does the question bank suggest structuring a long answer on Pakistan's Islamization experience?

- A) Focus exclusively on the 2022 Federal Shariat Court ruling
- B) Trace the 7-station timeline from 1980 ordinances through banking growth, FSC 2022, critiques, and the 2027 agenda
- C) Argue that no institutional progress has been made since 1947
- D) Compare Pakistan's tax rates with Western socialist nations

Answer Key

* **1. B** — High-scoring evaluation requires an honest assessment balancing achievements, critiques, and the future agenda.

* **2. B** — Using Arabic juristic terminology with exact definitions and textual references demonstrates scholarly precision.

* **3. A** — Verses 2:275 (prohibition of riba), 7:31 (prohibition of waste), and 51:19 (zakat as a right) provide foundational authority.

* **4. B** — A comprehensive answer follows a structured timeline covering historical milestones, court rulings, critiques, and future prerequisites.

Lesson 21: Islamic Social Finance

1. What are the four main core instruments of Islamic social finance outlined in the handout?

- A) Riba, Gharar, Maysir, and Ihtikar
- B) Zakat, Sadaqah, Waqf, and Qard-hasan

- C) Murabahah, Ijarah, Salam, and Istisna
- D) Taxes, Tariffs, Subsidies, and Price Controls

2. What key economic effect does zakat have on hoarded assets?

- A) It increases the profitability of holding cash
- B) It taxes idle wealth at 2.5%, penalizing hoarding and encouraging productive investment
- C) It transfers ownership of all savings to commercial banks
- D) It exempts real estate and bullion from taxation

3. What key operational achievement of the Akhuwat microfinance model is highlighted in the text?

- A) Disbursing billions in interest-free qard-hasan loans with a recovery rate of ~100%
- B) Charging variable KIBOR-indexed markup on agricultural loans
- C) Converting all voluntary charity into compulsory state taxes
- D) Operating exclusively as a conventional investment bank

4. What structural property distinguishes a Waqf from ordinary charity?

- A) It is a temporary loan that must be repaid within one lunar year
- B) The capital principal is preserved perpetually while its usufruct or income continuously funds public goods
- C) It can only be established by state decree
- D) Its funds are reserved strictly for foreign trade financing

Answer Key

- * **1. B** — The four pillar instruments of Islamic social finance are zakat, sadaqah, waqf, and qard-hasan.
- * **2. B** — Zakat imposes a 2.5% annual tax on hoarded wealth, creating a strong economic incentive to invest productively.
- * **3. A** — Akhuwat demonstrated that interest-free microfinance using qard-hasan can achieve near 100% repayment at scale.
- * **4. B** — Waqf legally locks the principal asset in perpetuity so that its ongoing yields fund public benefits indefinitely.

End of Quiz

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