

**-Read the text and answer the following questions**

Islamic banking has the same purpose as conventional banking: to make money for the banking institute by lending out capital. Because Islam forbids simply lending out money at interest (riba), Islamic rules on transactions (known as Fiqh al-Muamalat) have been created to avoid this problem. The basic technique to avoid the prohibition is the sharing of profit and loss, via terms such as profit sharing (Mudharabah), safekeeping (Wadiah), joint venture (Musharakah), cost plus (Murabahah), and leasing (Ijar).

The term "Islamic banking" refers to a system of banking or banking activity that is consistent with Islamic law (Shariah) principles and guided by Islamic economics. In particular, Islamic law prohibits **usury**, the collection and payment of interest, also commonly called riba in Islamic discourse. In addition, Islamic law prohibits investing in businesses that are considered **unlawful**, or haraam (such as businesses that sell alcohol or pork, or businesses that produce media such as **gossip** columns, which are contrary to Islamic values). Furthermore, the Shariah prohibits what is called "Maysir" and "Gharar". Maysir is involved in contracts where the ownership of a good depends on the occurrence of a predetermined, uncertain event in the future whereas Gharar describes **speculative** transactions. Both concepts involve excessive risk and are supposed to foster uncertainty and **fraudulent** behavior. Therefore the use of all conventional derivative instruments is impossible in Islamic banking. In the late 20th century, a number of Islamic banks were created to cater to this particular banking market.

**Q1-Give the synonyms of the following words in arabic :(3 mks)**

Usury-unlawful- fraudulent- gossip- speculative-joint venture

**Q2-Decide whether the following statements true (T) or false (F) based on the text :(3 mks)**

1. Islamic banking is persistently based on Islamic rules.
2. Sharia economy welcomes the implementation of the prohibition of Usury.
3. Islamic laws forbid infestation in the circle of maysar and alcohol.
4. Islam accepts riba in banking.
5. To avoid riba, Islam uses the sharing of profit and loss.

**Q3- Match the words with the appropriate definition:(3 mks)**

<b>1-Ijar)</b>	A-excess, increase or addition, which according to Shariah terminology, implies any excess compensation without due consideration (consideration does not include time value of money)
<b>2-Musharakah</b>	B-A special kind of partnership where one partner gives money to another for investing it in a commercial enterprise
<b>3-Mudharabah</b>	C-refers to the sale of goods at a price, which includes a profit margin agreed to by both parties
<b>4-Riba</b>	D-lease, rent or wage. Generally, Ijarah concept means selling the benefit of use or service for a fixed price or wage
<b>5-Wadiah</b>	E-A person deposits funds in the bank and the bank guarantees refund of the entire amount of the deposit,
<b>6-Murabahah</b>	F-A relationship between two parties or more, of whom contribute capital to a business, and divide the net profit and loss pro rata

**Q4-Look at the terms in the left column and match the meanings in the right column.:(3 mks)**

Write the letters only.

1. Al-Insaniyah	a. showing kindness toward people
2. Waki'iyah	b. pragmatic
3. Akhlakiyah	c. legal

4. Rabbaniyah	d. condition
5. Lawful	e. moral
6. Provision	f. faith

**Q5-**make one-paragraph summary of sharia banking based on your understanding of the text and your experiences.:(**8mks**)

**Good luck**

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