

MACQUARIE  
UNIVERSITY



FACULTY OF  
BUSINESS AND ECONOMICS

ACCG 876  
Islamic Finance and Banking

Semester 1, 2011

*Department of Applied Finance & Actuarial Studies*

**MACQUARIE UNIVERSITY  
FACULTY OF BUSINESS AND ECONOMICS  
UNIT OUTLINE**

**Year and Semester:** Semester 1, 2011

**Unit convenor:** Dr. Mehdi Sadeghi

**Prerequisites /Corequisites/Assumed knowledge:**

. Completion of any Faculty of Business and Economic units at 600 level.

Assumed Knowledge is equivalent to that covered in AFIN252 (Applied Financial Analysis and Management), or AFIN253 (Financial Management).

Students are expected to revise important concepts from applied financial analysis and management. You must make special effort to complete your revision before the first assessment task if you found any of the assumed knowledge difficult.

**Credit points:** 4

Students in this unit should read this unit outline carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult one of the teaching staff in the unit.

**ABOUT THIS UNIT**

*Islamic banking & finance* refers to a system of banking and finance or banking and financial activities that is consistent with the ethos and value system of Islam. It is governed, in addition to the conventional good governance and risk management rules, by the principles laid down by Islamic Shariah. Islamic Shariah prohibits 'interest' but it does not prohibit all gains on capital. It is only the increase stipulated or sought over the principal of a loan or debt that is prohibited. Islamic principles require that performance of capital should also be considered while rewarding the capital. The prohibition of a risk free return and permission of trading makes the financial activities in an Islamic set-up real asset-backed with ability to cause 'value addition'. Islamic banking and financial system is based on risk-sharing, owning and handling of physical goods, involvement. Islamic banking and finance is the fastest growing segment of global financial market, comprising 300 institutions across 70 countries, and holding capital investments worth US\$1000bn. The average annual growth rate of this sector is estimated at 15%-20%.

**TEACHING STAFF**

Dr Mehdi Sadeghi (E4A 514, Tel: 02 9850 8527),  
[msadeghi.sadeghi@mq.edu.au](mailto:msadeghi.sadeghi@mq.edu.au)

## **CONSULTATION TIMES**

Friday 12:00PM-14:00PM

You are encouraged to seek help at a time that is convenient to you from a staff member teaching on this unit during their regular consultation hours. In special circumstances, an appointment may be made outside regular consultation hours. Staff will not conduct any consultations by email. You may, however, phone staff during their consultation hours.

Students experiencing significant difficulties with any topic in the unit must seek assistance immediately.

## **CLASSES**

Each week there will be a two hour lecture, and one hour group presentation by students. These presentations are based on different case studies which will be assigned to each group in agreement. Students groups will be formed in the first week during presentation hour.

The timetable for classes can be found on the University web site at: <http://www.timetables.mq.edu.au/>

It is an assessment requirement of this unit that students attend classes, especially during presentation of case studies.

## **PRIZES**

In Recognition of students' academic achievements, the "Prize for Academic Excellence" is awarded to the best student in this subject.

## **REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS**

Text book for the subject is An Introduction to Islamic Finance Theory and Practice, by Iqbal and Mirakhur. Publisher: John Wiley and Sons, 2007, ISBN: 10-0-470-82188-4.

The recommended text can be purchased from the Macquarie University Co-op Bookshop.

A copy of this text is also available in the Macquarie Library.

## TECHNOLOGY USED AND REQUIRED

During the semester you need to access website of several Islamic financial institutions and markets in order to do your case studies and assignments..

Ability to work with softwares for time series analysis, and event studies are desirable requirements for doing your assignment and case study more professionally.

A nonprogrammable calculator may be used in any examination in this unit.

## UNIT WEB PAGE

- Course material is available on Black Board.

## LEARNING OUTCOMES

By the end of ACCG 876 students should be able to comprehend the following Islamic finance issues:

1. The economic system
2. Islamic financial system
3. Financial contracting and *Riba* (Usury)
4. Financial instruments
5. Financial intermediation
6. Islamic financial services industry
7. Islamic bond (Sukuk), insurance (Takaful), and capital market
8. Islamic financial engineering
9. Regulation of Islamic financial institutions and corporate governance
10. Risk Management in Islamic financial institutions
11. Globalisation and challenges for Islamic banking and finance

## GRADUATE CAPABILITIES

Graduate Capabilities are developed in every Macquarie University course in the context of the knowledge and skills of that field of study. They ensure our students and graduates are work, career and future ready.

This unit contribute to this by developing the following graduate capabilities:

1. Problem solving in a range of settings
2. Communicating in a variety of contexts and modes
3. Working both autonomously and collaboratively
4. Working in an environmentally, socially and culturally responsible manner
5. Managing learning and career development opportunities
6. Critical, Analytical and Integrative Thinking
7. Commitment to Continuous Learning

## TEACHING AND LEARNING STRATEGY

### Lecture and case study presentation:

- This unit is taught in a form of two hours of lecture & one hour of students' presentation.
- You must attend both lectures and presentations on weekly basis.
- Your weekly presentation is a team effort. You will form into small groups of 2-3 students during the first week in the presentation hour.
- Week-by-week list of the topics to be covered in lectures are placed at the end of the unit outline.

### What are expected from students:

- Attend all lectures and presentations.
- Read assigned chapters of the text book.
- Download and print lecture notes that are posted on Black Board, review them before attending the lecture.

## RESEARCH AND PRACTICE

- The Major Assignment in this unit gives students the opportunity to conduct their own research into some of the exotic issues in a new financial paradigm.
- The case study is a research strategy, an empirical inquiry that allows students to investigate how Islamic finance and banking conducted within a real-life context. As a result the students may gain a sharpened understanding of how Islamic finances are arranged, why they are growing so fast, what are the shortfalls, setbacks and challenges, and what might become important to look at more extensively in the future research.

## RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES

### Assessment

There will be three items of assessment as follow:

#### **(a) Major Assignment (20%)**

Major assignment is the outcome of a team effort. You will form into small groups of 2-3 students during the first week in the presentation hour to select a topic of your interest for your assignment in the area of Islamic banking and finance.

Assignments handed in late will lose 20% for each day late.

**(b) Case study (20%)**

Case study is a weekly group presentation exercise. This study provides students with an opportunity to systematically look at real-life issues involved in one area of Islamic finance and banking. Each student's group is expected to present a case and submit a written report once only. A list of proposed case topics will be suggested in the first week and students can select the one that they prefer (on the first come first serve basis). Students who can't present their case in due week, are given another opportunity, if their reason for delay is legitimate.

**(d) Final exam (60%)**

A 3 hour final examination for this unit will be held during the University Examination period. All of the questions are descriptive/calculative type. The exam will cover all of topics in the syllabus and it will be a closed book exam.

In addition to formal assessment, a multiple choice test will be held on week 4 during presentation hour to give students some diagnostic feedback on their performance in the unit. Students who are deemed to be at risk will be counselled by the Unit Coordinator on what action they need to undertake.

The learning outcomes being assessed are:

- The Islamic economic system
- Islamic financial system
- Financial contracting and *Riba* (Usury)
- Financial instruments
- Financial intermediation
- Islamic financial services industry
- Capital market
- Financial engineering
- Risk Management and Islamic financial institutions
- Regulation of Islamic financial institutions
- Corporate governance
- Globalisation and challenges for Islamic banking and finance

The graduate capabilities being assessed are:

1. Problem solving in a range of settings
2. Communicating in a variety of contexts and modes
3. Working both autonomously and collaboratively
4. Working in an environmentally, socially and culturally responsible manner
5. Managing learning and career development opportunities

6. Critical, Analytical and Integrative Thinking  
 7. Commitment to Continuous Learning

	<b>Assessment Task 1</b>	<b>Assessment Task 2</b>	<b>Assessment Task 3</b>
Title/Name	<b>Major Assignment</b>	<b>Case Study</b>	<b>Final Exam</b>
Description			3 hours exam, covering the whole syllabus
Due date	27 <sup>th</sup> June	Weekly	Final exam period
% Weighting	20%	20%	60%
Grading method - marking criteria - expectations in relation to presentation refer to attached marking rubric	Attached marking rubric	Attached marking rubric	Full response questions
Submission method	Written submission	Oral presentation and written submission	Formal examination
Feedback ( <i>type, method, date</i> )	Students receive feedback after their submission	Students receive feedback week after their presentation	
Estimated student workload (hours)	15 hours per week	15 hours per week	15 hours per week
Learning outcomes assessed	1-6, 10	4, 7, 8	1-10
Graduate capabilities assessed	1-4, 6	1-4, 6	1-2, 4-6

## **Examination:**

Final examination:

A final examination is included as an assessment task for this unit to provide assurance that:

- i) the product belongs to the student and
- ii) The student has attained the knowledge and skills tested in the exam.

A 3 hour final examination for this unit will be held during the University Examination period. All of the questions are descriptive/calculative type of questions. This exam will cover all topics covered in the unit. It will be a closed book exam. Nonprogrammable financial calculator is permitted in the final exam.

The University Examination period in First Half Year 2011 is during 6<sup>th</sup>-26<sup>th</sup> June.

You are expected to present yourself for examination at the time and place designated in the University Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations.

<http://www.timetables.mq.edu.au/exam>

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration. The University's policy on special consideration process is available at [http://www.mq.edu.au/policy/docs/special\\_consideration/policy.html](http://www.mq.edu.au/policy/docs/special_consideration/policy.html)

If a Supplementary Examination is granted as a result of the Special Consideration process the examination will be scheduled after the conclusion of the official examination period. (Individual Faculties may wish to signal when the Faculties' Supplementary Exams are normally scheduled.)

The Macquarie university examination policy details the principles and conduct of examinations at the University. The policy is available at: <http://www.mq.edu.au/policy/docs/examination/policy.htm>

## **ACADEMIC HONESTY**

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim
- all academic collaborations are acknowledged
- academic work is not falsified in any way
- When the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic Honesty Policy at [http://www.mq.edu.au/policy/docs/academic\\_honesty/policy.html](http://www.mq.edu.au/policy/docs/academic_honesty/policy.html)

## GRADES

To be awarded a specific grade, students are required to perform at an **equivalent** standard in the final examination and their overall assessment marks in the unit.

All final grades in the Department of Applied Finance & Actuarial Studies determined by a grading committee and are not the sole responsibility of the Unit Coordinator.

Macquarie University's Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction.

Your final result will include one of these grades plus a Standardised Numerical Grade (SNG). The Standardised Numerical Grade (SNG) is not a summation of the individual assessment components.

You may also refer to relevant degree rule in the Handbook of Postgraduate Studies.

## GRADING APPEALS AND FINAL EXAMINATION SCRIPT VIEWING

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.

[http://www.businessandconomics.mq.edu.au/for/new\\_and\\_current\\_students/undergraduate/admin\\_central/grade\\_appeals](http://www.businessandconomics.mq.edu.au/for/new_and_current_students/undergraduate/admin_central/grade_appeals).

## **SPECIAL CONSIDERATION**

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at: [http://www.mq.edu.au/policy/docs/special\\_consideration/procedure.html](http://www.mq.edu.au/policy/docs/special_consideration/procedure.html)

## **STUDENT SUPPORT SERVICES**

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at: <http://www.student.mq.edu.au>.

## **IT CONDITIONS OF USE**

Access to all student computing facilities within the Faculty of Business and Economics is restricted to authorised coursework for approved units. Student ID cards must be displayed in the locations provided at all times.

Students are expected to act responsibly when utilising University IT facilities. The following regulations apply to the use of computing facilities and online services:

Accessing inappropriate web sites or downloading inappropriate material is not permitted. Material that is not related to coursework for approved unit is deemed inappropriate.

Downloading copyright material without permission from the copyright owner is illegal, and strictly prohibited. Students detected undertaking such activities will face disciplinary action, which may result in criminal proceedings.

Non-compliance with these conditions may result in disciplinary action without further notice.

Students must use their Macquarie University email addresses to communicate with staff as it is University policy that the University issued email account is used for official University communication.

### Schedule of Topics

Date	Week	Lecture Topic	Lecture Note Readings	Text Readings	Case Study
21st Feb	1	Introduction	Lecture Notes	IM Ch 1	TBA
28th Feb	2	Islamic Economic System	Lecture Notes	IM Ch 2	
7 <sup>th</sup> March	3	Financial Contracting	Lecture Notes IM Ch 1	IM Ch 3	
14 <sup>th</sup>	4	Financial Instruments	Lecture Notes, IM Ch 1	IM Ch 4	
21 <sup>st</sup>	5	Financial Intermediation	Lecture Notes, IM Ch 1	IM Ch 5	
28 <sup>th</sup>	6	Financial System	Lecture Notes, IM Ch 1	IM Ch 6	
4 <sup>th</sup> April	7	Financial Service Industry	Lecture Notes, IM Ch 1	IM Ch 7	
<b>11<sup>th</sup> - 24<sup>th</sup> April Mid-term Break</b>					

Date	Week	Lecture Topic	Lecture Note Readings	Text Readings	
25 <sup>th</sup>	8	Capital market	Lecture Notes	IM Ch 8	
2 <sup>nd</sup> May	9	Financial Engineering	Lecture Notes	IM Ch 9	
9 <sup>th</sup>	10	Risk Management	Lecture Notes	IM Ch 10	
16 <sup>th</sup>	11	Regulation & Corporate Governance	Lecture Notes	IM Chs 11-12	
23 <sup>rd</sup>	12	Globalisation & Challenges	Lecture Notes	IM Ch 13	
30 <sup>th</sup>	13	Revision			

### ACCG 876 Major Assignment/Case Study Marking Rubric

Letter Grade	Descriptive Heading	Range%	Midpoint %
HD+	Could not be any better!!	75-100	100
HD	Better than a D but not an HD+		85
D	A clear 1 <sup>st</sup> class answer. The paper has style and possibly displays originality. The reader can feel a keen mind at work.		75
C+	Better than a C but not a clear D.	65-74	74
C	Better than a C- but not a "C+" answer.	50-59	70
C-	A fundamentally correct answer. Demonstrating an overall high level of competence and a high level of understanding. The reader is in no doubt about the writer's meaning.		65
P+	Better than a P but not a clear C-.		64
P	Better than a P- but not a P+ answer.	45-49	60
P-	Basically a correct answer with possibly a number of minor errors or omissions. An adequate level of competence and understanding of the material is evident. The writer's intent may not, however, be always clear.		50
PC+	Better than a PC but not a clear P-.		49
PC	Better than a PC- but not a PC+ answer.	44-Lower	47
PC-	An about adequate answer with a number of serious errors or omissions. There is only limited evidence that the writer understands the material being presented.		45
F	The answer fails to address the main issues properly. Inadequate knowledge of the material is displayed.		