

DETAIL SYLLABI OF PG DIPLOMA IN ISLAMIC BANKING AND FINANCE

COMPULSORY PAPERS

COURSE No. IFC-I01 PRINCIPLES OF NEO-CLASSICAL ECONOMICS

Course Objectives

- To create an understanding of the relevant concepts and analytical tools of neo-classical economic theory.
- To enable the learners apply the economic concepts and tools in decision –making.

Unit I: Introduction to Economics

Principles of Economics; Theory of the Firm; demand and supply analysis; elasticity of demand, demand forecasting.

Unit II: Production Process and Cost Analysis

Properties of Production function, Law of diminishing returns; Isoquants and returns to scale; Cost concepts and cost curves (short and long run); economies of scale and scope.

Unit III: Market structure

Price and output under perfect competition, monopoly; monopolistic competition and oligopoly; Price discrimination

Unit IV: Macroeconomics I

Circular Flow of economic activities; National Income: concepts and measurement, Instruments of Fiscal Policy; The monetary system and tools of Monetary policy

Unit V: Macroeconomics II

Economic growth and development, Business Cycles; The balance of Payments and exchange rates determination, Inflation.

Suggested Readings:

1. Frank, Robert H and Ben Bernanke, *Principles of Economics*, Tata-McGraw-Hill, 2007.
2. Mankiw, Gregory, N., *Principles of Macroeconomics* (4th edition), Thomson Learning, 2007.
3. Mark Hirshey, *Economics for Managers*, Thomson Learning, 2007.
4. Peterson, Craig H., Lewis, Chris and Sudhir Jain, *Managerial Economics*, Pearson Education, 2006.
5. Samuelson, Paul, *Principles of Economics*, (18th edition), Tata-McGraw Hill, 2005.

COURSE No. IFC-I02
FUNDAMENTALS OF ACCOUNTING

Course Objectives

- To familiarize students with basics of financial, cost and management accounting
- To equip them techniques of business decisions based on accounting information
- To use financial data in decision making

Unit I: Introduction

Meaning, definition and needs of accounting business decisions; forms of accounting and users of accounting information; accounting standardisation and role of AICPA; framework of accounting postulates; principles, conventions, concepts, procedures, methods etc; accounting equations and types of accounts, rule of recording business transactions.

Unit II: Preparation Basic Accounting Records

Preparation of basic accounts - journal to trial balance, income statement, position statements (P&L A/C and Balance Sheet) and adjustment entries; presentation of financial statements in other useful forms, i.e. common sized statement; comparative statement and trend percentages; legal requirements relating to accounting, Reading of annual report

Unit III: Financial Statement Analysis

Ratio analysis, its meaning and uses; study of liquidity ratios and leverage ratios; study of profitability ratios and activity ratios; meaning, uses and preparation of functions flow statements; meaning, uses and preparation of cash flow statements.

Unit IV: Islamic Accounting Norms

Objectives of financial accounting in Islam. Basic assumptions and criteria for Islamic accounting. The prescribed general layout of the balance sheet in Islamic banks. Accounting Standards of Islamic Financial Institutions: Analysis of the Balance Sheet Structure.

Unit V: AAOIFI Norms of Islamic Accounting

AAOIFI Norms for accounting of Islamic financial products; mudaraba, musharaka, murabaha, ijarah, salam, istisna. Norms of Islamic corporate governance.

Suggested Readings:

1. AAOIFI, (Accounting and Auditing Organization for Islamic Financial Institutions), *Accounting and Auditing Standards for Islamic Financial Institutions*, Manama, Bahrain, 1997.
2. AAOIFI, *Accounting Auditing and Governance Standards for Islamic Financial Institutions*, Manama, Bahrain, 2002.
3. Dearden J and Bhattacharya SK, *Accounting for Management– Text and Cases*, Vikas Publishing House Private Ltd, New Delhi, 2005.
4. Hingorani, Ramnathan and Grewal, *Management Accounting*, S. Chand & Sons, New Delhi, 2005.
5. Pandey, I.M. *Management Accounting*, Vikas Publishing House Private Limited, New Delhi, 2007.

COURSE No. IFC-I03

CONVENTIONAL FINANCIAL MANAGEMENT

Course Objectives

- To familiarize students with basic concepts used in FM
- To provide basic understanding of working capital management
- To introduce project appraisal mechanism and basics of dividend decisions

Unit I: Introduction

Introduction, Meaning, scope and development of financial management; finance function; Indian financial System, Risk and Return, Valuation of securities, legal, regulatory and tax framework related to financial management; Time value of money and its relevance.

Unit II: Working Capital Management

Working Capital Management, overall considerations in WCM; determinants and determination of W.C. requirements; management of cash; management of receivables; management of inventories.

Unit III: Investment Decisions

Management Long-term Capital, Tax considerations in investment appraisal; methods of project appraisal; payback period method; average rate of return method; accounting rate of return method; net present value method; internal rate of return method; capital rationing.

Unit IV: Financing Decisions

Cost of Capital and Capital Structure, Cost of debt and preferred stock; cost of equity, retained earning and overall cost of capital; financial and optimum capital structure; theories of capital structure; M.M hypothesis on capital structure.

Unit V: Dividend Decisions

Issues in Financial Management, Overview of dividend policy; dividend policy and share valuation; practical considerations and legal requirements on dividend; lease financing in India, contemporary issues in financial management.

Suggested Readings:

1. Chandra Prasanna, *Financial Management: Theory and Practice*, Tata McGraw 1, New Delhi, 2005.
2. Khan, Y.M. and Jain PK, *Financial Management – Text and Problems*, Tata McGraw Hill Publishing Company Ltd, New Delhi, 2007.
3. Van Horn James C, *Financial Management and Policy*, Prentice Hall of India, New Delhi, 2000.

COURSE No. IFC-I04
ELEMENTS OF ISLAMIC ECONOMICS

Objective

- To define the scope and significance of Islamic Economics with special reference to the central problems of economic choice.
- To explain the ethical character of Islamic Economics within the context of the current debate on economic methodology, particularly the positive/normative characterization of Islamic Economics.
- Islamic critique of conventional economic thought and processes.

Unit I: Introduction

- Faith in One God and its implications for man-man and man-environment relations
- Freedom of choice with accountability an essential feature of the Islamic view on life
- Islam's view of property as a trust
- Freedom of enterprise
- Role of state in ensuring a minimum realization of norms

Unit II: Principles of Islamic Economics

- Riba, bank interest and rationale of its prohibition
- Gharar (hazard) and the prohibition of gambling
- Competition and cooperation, their relative scopes
- Risk sharing verses risk shifting
- Economic stability and the role of abolition of interest

Unit III: Principles of Islamic Consumer Behavior

- *Consumer behavior: self interest with ethical constraints*
- Producer behavior (theory of the Firm): the possibility of taking social good into consideration
- Role of cooperative ventures at the industry level
- Public sector policy goals
- Environmental protection, equitable distribution of income and wealth and peace, major policy considerations

Unit IV: Principles of Distribution in Islamic Economics

- Universal need fulfillment, social solidarity and economic strength, major goals of public finance in Islam
- Zakat, and the share of the have-nots in national product
- Awqaf, their emergence in early Islam and their role in modern economy

Unit V: Principles of Universal Brotherhood and Islamic Cooperation

- International Islamic Cooperation
- Institutional infrastructure supporting Islamic finance
- Role of the Islamic Development bank in economic cooperation and Development institutions.

Suggested Reading:

1. Ahmad, Habib (eds), *Theoretical Foundation of Islamic Economics*, Islamic Research and Training Institute, Islamic Development Bank, 2002.
2. Chapra, M .U, *What is Islamic Economics*, Jeddah, IRTI, IDB, 1996.
3. Khan, W. Masood, *Towards an Interest Free Islamic Economic System*, Leicester, UK: The Islamic Foundation, 1985.
4. Siddiqi, M.N, *Some Aspects of Islamic Economy*, Delhi, M. M. I. Publishers, 2002.

COURSE No. IFC-I05
BASICS OF ISLAMIC FINANCE

Course Objectives

- To familiarize students with basic concepts used in Islamic finance
- To provide basic understanding of working of Islamic banks and financial institutions
- To introduce Islamic finance instruments used in shariah compliant transaction

Unit I: Introduction

Introduction to financial markets: basic functions; types of markets and profiles; financial instruments: Islamic financial system: an overview;

- Shariah & Fiqh: Sources and Development
- Important concepts and principles of Fiqh
- Major norms in Islamic finance;

Unit II: Islamic Financial Contracts

- Conditions of contract: Waad, Muwaada, Aqd
- Elements of contract: Contracting parties, subject matter, offer and acceptance.
- Types of contracts

Unit III: Islamic Commercial Banking

- Islamic appraisals of conventional banking
- Operating structure of Islamic banks
- Models of Islamic banking; Sources and application of funds

Unit IV: Islamic Capital Market

- Introduction to capital market
- Types of market & kinds of products
- Islamic appraisal of capital market
- Stock market: shariah screening methods, purification and zakah
- Islamic securities (Sukuk)

Unit V: Islamic Insurance (Takaful)

- Islamic appraisal of conventional insurance.
- Structure and models of Islamic insurance.
- Types of insurance products. General and family takaful. Reinsurance and re-takaful.

Suggested Readings:

1. Iqbal, Munawar and Molyneux, *Thirty Years of Islamic Banking: History, Prospects and Performance*, Philip, 2005.
2. Iqbal, Zubair and Mirakhor Abbas, 'Islamic Banking', *International Monetary Fund*, Washinton DC: (Occasional Paper No.49), 1987
3. Khan, S. Mohsin, 'Islamic Interest Free Banking: A Theoretical Analysis', *International Monetary Fund Staff Papers*, (Washington DC), Vol. 33, No, 1, 1986.
4. Mills, Paul S. and John R. Presley, *Islamic Finance: Theory and Practice*, London, Macmillan, 1999.
5. Obaidullah, Mohammad, '*Islamic Financial Services*, Islamic Economics Research Center, King Abdul Aziz University (Jeddah, Saudi Arabia, 2005.
6. Siddiqi, M.N., *Riba, Bank Interest and the Rationale of its Prohibition*, IRTI, IDB, 2004.
7. Usmani, M., Taqi, *An Introduction To Islamic Finance*, Karachi, Idaratul Ma'arif, 1998.

OPTIONAL PAPERS

COURSE No. IFC-I06
ISLAMIC INSURANCE (TAKAFUL)

Objectives:

- To provide students with a knowledge and understanding of the development of Islamic insurance and its modern day use and application.
- Explain concepts associated with insurance as discussed in shariah such as Riba, gharar or juhala, qimar or maysir.
- Describe the different models of Islamic insurance services.

Unit I: Introduction

- Position of Islam regarding insurance. The origins of Islamic insurance;
 - The nature of a Takaful undertaking and the need to avoid gharar (uncertainty) through Tabarru' (donation) and riba (interest) through the use of non-interest bearing assets
 - The structure of Takaful undertakings: non-profit and commercial

Unit II: Basic Characteristics

- Types of Takaful: general and life (family) including the nature of Family Takaful using 'endowment' type policies.
- Differences between conventional proprietary insurance, conventional mutual insurance and Takaful
- The structure of Takaful:
 - i. Separation of participants' funds from those of the Takaful operator
 - ii. The role of Qard (interest free loan)

Unit III: Takaful Models

- Mudaraba
- Wakala
- the combined model

Unit IV: Management of Takaful

- Underwriting and managing the investments
- Distribution of underwriting surpluses in Takaful;
 - The definition of an underwriting surplus
 - The nature and allocation of technical provisions
 - The rules for distributing underwriting surpluses
- Risks associated with Takaful claims and their mitigation

Unit V: Reinsurance (Retakaful)

- How reinsurance operates in Islamic insurance:
 - The funding of reinsurance
 - The place of Re-Takaful
 - Responsibility of the Takaful operator for Shariah compliance

Suggested Readings:

1. Ahmed, Salahuddin, *Islamic Banking, Finance and Insurance: A Global Overview*, Kuala Lumpur, 2006.
2. Aly, Khorshid, *Islamic Insurance: A Modern Approach to Islamic Banking*, London, Routledge, 2004
3. Jaffer, Sohail, *Islamic Insurance: Trends, Opportunities and the Future of Takaful*, Euromoney Books, 2007.

COURSE No. IFC-I07
ISLAMIC BONDS (SUKUK)

Objectives:

- To provide students with a knowledge and understanding of Islamic bonds.
- To highlight issues involve in structuring and shariah compliance of sukuk
- To enable and encourage students develop different types of sukuk meeting various economic requirements.

Unit I

- Sukuk the alternate of Bonds
 - Principles of securitisation: Conventional and Islamic
 - Overview of sukuk market
 - The shariah requirement of securitisation
 - AAOIFI Standards of Sukuk
 - Role and importance of Sukuk in Islamic Capital Market

Unit II

- The Basic structures and parameters of Sukuk
 - Evolution & Definition
 - Essential difference between conventional Bonds & *Sukuk*
 - Risk Factors
 - Ratings of Sukuk

Unit III

- Types of sukuk
 - Sukuk al Ijarah
 - Sukuk al Salam
 - Sukuk al Istisna
 - Sukuk al Mudaraba
 - Sukuk al Musharaka

Unit IV

- Issues and shariah concerns of Sukuk
 - Conclusive rates of return; purchase undertaking, profit distribution
 - Sale and lease back
 - Trading of sukuk
 - Guaranteeing sukuk return

Unit V

- Some important case studies
 - Gulf (Region)
 - Malaysia (Region)
 - Europe (Region)

Suggested Readings:

1. Adam, J. Nathif and Thomas, Abdulkader, *Islamic Bonds: Your Guide to Structuring, Issuing and investing in Sukuk*, Euromoney Publications, 2005.
2. Ayman H. Abdel-Khaleq and Christopher F. Richardson, "New Horizons for Islamic Securities: Emerging Trends in *Sukuk Offerings*", *Chicago Journal of International Law*, Vol. 7 No. 2, 2007.
3. Ayub, Mohammad, *Securitisation, Sukuk and Fund Management Potential to be Realized by Islamic Financial Institutions*, State Bank of Pakistan, 2005.
4. Haneef, Mohamed Rafe, *Recent Trends and Innovations in Islamic Debt Securities: Prospects for Islamic Profit and Loss Sharing Securities*, Proceedings of Seventh Harvard University Forum on Islamic Finance, Harvard Law School, 2006.

COURSE No. IFC-I08
ISLAMIC ASSET AND FUND MANAGEMENT

Objectives:

- To provide students an understanding of the working of Islamic financial market.
- To highlight working of the Islamic equity market.
- To enable student evaluate Islamic capital market instruments.
- To provide student an in-depth understanding of the shariah screening norms for investments and wealth management.

Unit I

- Introduction
 - The Capital market: Functions and objectives
 - The Capital market in India
 - Risk Return principle in Islam
 - Cost of Capital
 - Choice between Capital and Debt financing-Agency problem
 - Shariah Principles for Capital Market

Unit II

- Islamic Stocks and Wealth Management
 - Equity Shares and equity funds
 - Business and structure of Islamic enterprise
 - Indebtedness of the enterprise
 - Earnings from impermissible activities
 - Cash and receivables/payables

Unit III

- Norms for shariah screening in Islam
 - Dow Jones Islamic investment criteria
 - Securities Commission Malaysia norms
 - FTSE and TII Norms used in India
 - Norms used in India, Pakistan and Middle East

Unit IV

- Critical Assessment of Islamic screening Norms
 - Screening Norms relating to nature of business
 - Screening Norms relating to financial ratios
 - Suitability of Market cap
 - Purification and zakah

Unit V

- Islamic Real Estate and Project financing
 - Characteristics of Real estate
 - Islamic REITS & REMFs
 - Islamic Unit Trusts and Mudaraba Certificates

Suggested Readings:

1. Ahmed, Osman Babikir, *Islamic Equity Funds: The Mode of Resource Mobilization and Placement*, Islamic Research and Training Institute, Islamic Development Bank, 2001.
2. Ali Salman, Syed, *Islamic Capital Market Products: Developments and Challenges*, Islamic Research and Training Institute, Islamic Development Bank, 2005.
3. Ali Salman, Syed (eds), *Islamic Capital Markets: Products, Regulation and Development*, Islamic Research and Training Institute, Islamic Development Bank, 2008.
4. Usmani, M, Taqi, *Principles of Shari'ah Governing Islamic Investment Funds*, Pakistan.