

590

Advanced Diploma in Insurance

Unit 590 – Principles of Takaful

October 2016 examination

Instructions

- Three hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- **Read the instructions on page 3 carefully before answering any questions.**
- Provide the information requested on the answer book and form B.
- You are allowed to write on the inside pages of this question paper, but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- The answer book and this question paper must **both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**

Unit 590 – Principles of Takaful

Instructions to candidates

Read the instructions below before answering any questions

- **Three hours** are allowed for this paper which carries a total of 200 marks as follows.

Part I	8 compulsory questions	48 marks
Part II	1 compulsory question	38 marks
Part III	3 questions selected from 5	114 marks

- You should answer **all** questions in Part I, the compulsory question in Part II and three out of the five questions in Part III. The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- You are advised to spend no more than 45 minutes on Part I.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.
- It is important to show all steps in a calculation, even if you have used a calculator.
- If you bring a calculator into the examination room, it must be a silent, battery or solar-powered, non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.
- Answer each question on a new page and leave six lines blank after each question part.

PART I

**Answer ALL questions in Part I
Each question is worth six marks**

Note form is acceptable where this conveys all the necessary information

1. Define Zakat and explain briefly how the principle of Takaful is embedded in Zakat. (6)

2. Define Deya and differentiate between Acqela and Qasama. (6)

3. Explain briefly the **three** Fiqh rules in relation to Riba prohibition. (6)

4. Identify **three** of the main challenges for a Shariah Supervisory Board (SSB). (6)

5. Identify the main factors that affect the marketing activities of a Takaful company. (6)

6. Explain briefly 'Unearned Contributions' and 'Outstanding Claims' and identify how their ending balances are disclosed in the financial statement of a Takaful firm. (6)

7. Identify the main feature that differentiates financial reporting and transparency to policyholders in a Takaful company with that of policyholders in a conventional insurance company. (6)

8. Explain briefly the risk associated with the structure of the Wakala fee in a Wakala-Mudaraba operating model. (6)

Part II and III questions continue on pages 6 – 7

Part II

Compulsory question
This question is worth 38 marks

9. As a senior accountant in ABC Takaful firm, you have compiled the following data based on the financial result of the firm for the year 2015, as shown below.

Gross Contributions	30,000,000
Available-for-sale investments	20,000,000
Fixed Assets	3,000,000
Gross Claims settled	27,000,000
Cash & Cash Equivalents	13,000,000
Paid up Capital	10,000,000
Retakaful Share of Gross Contributions	8,300,000
Gross Outstanding Claims (ending balance)	22,000,000
Mudharib Share of Investment Income	130,000
Claims recovered from Retakaful	13,000,000
Unearned Contributions Reserve (ending balance)	18,000,000
Wakala Fee	20% of Gross Contributions
Movement in Unearned Contribution (increase)	2,000,000
Retakaful payables	2,500,000
Retakaful Commission Income	3,000,000
Movement in Outstanding Claims (increase)	1,100,000
Gross Investment Income for Participants	1,700,000
General & Administrative Expenses	10,500,000
Depreciations Expense	600,000
Investment Income for Shareholders	5,000,000

Using **ONLY** the information in the table above:

- (a) Prepare the Statement of Policyholders' Revenues and Expenses for the year 2015; **(22)**
- (b) Prepare the Income Statement for ABC Takaful firm for the year 2015; **(8)**
- (c) Explain to senior management the potential financial effect to Shareholders as a result of a proposed increase in Wakala fees. **(8)**

Part III

**Answer THREE of the following FIVE questions
Each question is worth 38 marks**

- 10.** 'Two of the major challenges confronting the global Takaful industry are gaining penetration and breadth in distribution channels and advancing transparency and better governance'.

Explain such challenges. **(38)**
- 11.** Explain the concept, operations and structure of Family Takaful. **(38)**
- 12.** 'Shariah Supervisory Board (SSB) is a pre-requisite for any Islamic financial institution'.

Explain the concept of the SSB, its appointment, its membership requirements and its responsibilities. **(38)**
- 13.** Explain the differences between Sharikat Al-Musahamah and Sharikat Al-Mudaraba. **(38)**
- 14.** You are the Shariah Internal Reviewer of ABC Takaful firm. As part of the induction training programme for the Board of Directors and new members of senior management, you have been asked to demonstrate how Islam does not object to profits per se.

Draft detailed presentation notes to address this training requirement. **(38)**

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