



FINAL EXAMINATION
MARCH 2024

COURSE TITLE	STRUCTURING FINANCING REQUIREMENTS AND RESCHEDULING FINANCING FACILITIES
COURSE CODE	RFIN4393
DATE/DAY	25 JUNE 2024 / TUESDAY
TIME/DURATION	02:00 PM - 04:00 PM / 02 Hour(s) 00 Minute(s)

INSTRUCTIONS TO CANDIDATES :

1. Please read the instruction under each section carefully.
2. Candidates are reminded not to bring into examination hall/room any form of written materials or electronic gadget except for stationery that is permitted by the Invigilator.
3. Students who are caught breaching the Examination Rules and Regulation will be charged with an academic dishonesty and if found guilty of the offence, the maximum penalty is expulsion from the University.

(This Question Paper consists of 4 Printed Pages including front page)

DO NOT OPEN THE QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO

This question paper consists of TWO (2) questions only. Answer ALL questions in the answer booklet provided. [60 MARKS]

QUESTION 1

(30 Marks)

In the heart of a bustling metropolis, Nurul, a hardworking professional in her mid-30s, had long harbored the dream of owning a cozy apartment in a trendy neighborhood at Wangsa Maju, Kuala Lumpur. After diligently saving and with a good credit history, she secured a mortgage from a reputable Islamic bank to purchase her dream home.

Initially, Nurul managed her finances well, making regular mortgage payments without issue. However, her financial situation took a drastic turn when she unexpectedly lost her job due to a company downsizing. With no steady income, Nurul struggled to cover her basic living expenses, let alone the monthly mortgage payments.

Desperate to stay afloat, Nurul dipped into her savings, but it wasn't enough to sustain her for long. The pressure mounted as bills piled up, and she found herself falling behind on her mortgage payments. Despite her best efforts to secure new employment, the job market proved challenging, prolonging her financial distress.

Moreover, Nurul hadn't anticipated such a prolonged period of unemployment and had not set aside sufficient emergency funds to weather this storm. This lack of financial cushion exacerbated her predicament, leaving her on the brink of losing her cherished apartment.

Recognizing Nurul's plight, the bank's financial recovery team reached out to offer assistance. They discussed potential options such as temporary payment relief, rescheduling, restructuring, or connecting her with resources for job placement and financial counselling.

Through these efforts and Nurul's determination, she slowly navigated her way out of the financial crisis, finding new employment and rescheduling her finances to ensure greater stability in the future.

- a) Describe the category of defaulted debtors applicable to Nurul's situation. (2 marks)
- b) What are the potential benefits and drawbacks of rescheduling Nurul's mortgage payments over a longer period? (4 marks)
- c) How will restructuring or rescheduling impact Nurul's credit score and future borrowing capabilities? (4 marks)
- d) What steps can Nurul take to ensure she remains in good standing with the bank while navigating the restructuring process? (2 marks)
- e) Discuss a proper technique for financial recovery team to exercise a rescheduling or restructuring plan. (10 marks)
- f) Suppose you were assigned to assist Nurul's during their financial difficulties. Outline the key financial advice you would offer Nurul's to manage her budget and build emergency funds effectively. (8 marks)

QUESTION 2

(30 Marks)

In a bustling urban area, Ahmad, a professional engineer in his late 30s, had spent the last 15 years residing in a comfortable home he proudly purchased. His career had been stable, with a long-term job that provided financial security. His wife, Sara, also played a role in their financial stability by standing as a surety for various financial commitments, and together they managed to settle their bills on time, showcasing responsible financial behavior.

However, Ahmad recently switched jobs and found himself on probation, adding an element of uncertainty to his income stability. Sara, although supportive, had only been at her current job for six months, which was a relatively short period in comparison to their previous stability.

Assessing their financial situation, Ahmad's Debt Servicing Ratio (DSR) stood at 31%, indicating a manageable level of debt compared to his net salary of RM 8,662. Additionally, he had a valuable asset in the form of landed property worth RM 200,000, with a manageable liability of RM 75,000.

Despite the slight uncertainty in job stability, the demand for engineers with Ahmad's expertise remained high, providing a positive outlook for his career prospects.

Ahmad's next financial goal was to purchase his dream car, valued at RM 60,000, zero deposit through hire purchase financing over nine years, 3% profit rate. However, the financing would be unsecured, relying solely on Ahmad's financial standing and collateral rather than a physical asset tied to the financing.

Considering these factors, Ahmad was confident in his ability to manage the new financing responsibly, leveraging his strong credit history, stable income (despite the probationary period), and valuable collateral to secure the financing for his dream car.

- a) As a consumer executive for Islamic Bank, you are required to prepare a credit analysis table of strengths and weaknesses for Ahmad using the 5C's framework. (10 marks)
- b) Discuss the **TWO (2)** objectives of credit evaluation. (4 marks)
- c) Calculate installment for car financing Ahmad should commit every month. (2 marks)
- d) Calculate the current Debt Servicing Ratio (DSR) for your client considering a new financing package. (6 marks)
- e) Will you approve the application for all the new financing package Ahmad wants to pursue? Justify your answer. (2 marks)
- f) Based on the previous question, draw a diagram of the modus operandi on hire-purchase financing packages service that you propose based on the appropriate Shariah contract. (6 marks)

*** END OF QUESTION PAPER ***

FORMULA:

Chapter: Structuring of Islamic Consumer Financial Products

Financing Amortization:

$$A = \frac{i \times P \times (1 + i)^n}{(1 + i)^n - 1}$$

A= Monthly instalment payment

i = monthly interest

P=loan amount

n=numbers of payment

Hire purchase financing instalment:

Total Profit= Loan Amount x Years x Profit rate

Instalment Payment= $\frac{\text{Total Principal} + \text{Profit}}{\text{Number of the instalment period}}$

Chapter: Financing Assessment

Debt Service Coverage Ratio:

DSR= $\frac{\text{Total Debt}}{\text{Total Net Income}}$