

Principles of Banking (E.M) - ICOM Part 2 Principles of Banking Chapter 12 Short Questions Preparation

Q1. What is back to Back LC.

Ans 1: In this LC the receiver of money is not the sender of goods. The beneficiary presents his L.C. to bank on behalf of which the bank issues new L.C. in the favour of sender of goods.

Q2. What are the various kinds of Non-Commercial LC.

Ans 1: 1- Traveler's letter of credit 2- Circular note

Ans 2: 3- Traveler's cheque 4- Credit cards

Q3. Why pre- Shipment LC is called Green clause LC.

Ans 1: It is called green clause LC because the pre-shipment credit clause is written in green ink

Q4. What are the various kinds of commercial LC.

Ans 1: 1- Revocable letter 2- Irrevocable LC 3- Documentary LC.

Ans 2: 4- Non- Documentary LC 5- Pre- Finance LC.

Ans 3: 6- Pre-shipment LC. 7- Back to back LC

Q5. What are the various kinds of LC.

Ans 1: 1- Commercial LC. 2- Non - Commercial LC

Q6. What are the various kinds of L.C.

Ans 1: 1- Commercial letter of Credit.

Ans 2: 2- Non commercial Letter Credit

Q7. Define Documentary LC or Conditional LC.

Ans 1: The LC that should be accompanied by the documents such as bill of lading invoice and insurance policy etc.

Q8. What is Beneficiary.

Ans 1: The seller or exporter in other country is called the beneficiary.

Q9. What is the meant by negotiating bank.

Ans 1: The bank which negotiates bills and makes payment of bill to the seller the advising and negotiating bank may or may not be same.

Q10. Define Pre- Shipment LC.

Ans 1: In this L.C the exporter can get loan not only for packing and transportation but also for storage as well . It is the developed form of red clauses L.C.
