

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

Q1. 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- Fiance LC.

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

Q2. What are the the various kinds of LC.

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

Q3. Define Non documentary LC or Clean LC

**Ans 1:** The LC which is issued without any condition. the documents such as bill of lading, invoice and insurance policy etc. are not required or attach with the clean LC.

Q4. Define Letter of credit.

**Ans 1:** Letter of credit: According to FRNK HENIOUS: Letter of credit is written instrument issued by the buyers bank authorizing the seller to draw in accordance with certain terms and conditions.

Q5. 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

Q6. 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.

Q7. Define Revocable Letter of credit.

**Ans 1:** The L.C. that can be cancelled or modified by the issuing bank without the consent of other party. This is usually not accepted by the businessmen.

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Q8. 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.

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Q9. What is the meant by negotiatin bank.

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

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Q10. Why pre-finance LC. is called Red clause LC.

**Ans 1:** It is called rdd clasuse LC becasue the pre-finance credit clasue is written in red ink.

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