

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

Q1. Define Pre- Fiance LC.

Ans 1: In this L.C. the opening bank authorizes the negotiating bank to provide finance to the exporter for packing and transportaton. Such type of advances is called pre shipment advances

Q2. 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.

Q3. What is Beneficiary.

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

Q4. Define Revocable Letter of credit.

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

Q5. What are the various kind of L.C.

Ans 1: 1- Commercial letter of Credit.

Ans 2: 2- Non commercial Letter Credit

Q6. 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 clasues L.C.

Q7. 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

Q8. What are the the various kinds of LC.

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

Q9. 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

Q10. What is back to Back LC.

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