

1. What is the maximum period for which banks can issue guarantee on behalf of their customers?
- A. 5
 - B. 20
 - C. 15
 - D. Normally 10 years
 - E. No limit

Answer:- **Normally 10 years**

2. In case of the guarantee of Rs. _____ lacs and above, ECC will seek telephonic/electronic confirmation from BG issuing Branch along with verification from Finacle
- A. 10
 - B. 5
 - C. 50
 - D. 25
 - E. 20

Answer:- **10**

3. Credit Conversion Factor (CCF) for Performance Bank Guarantee is
- A. 20
 - B. 40
 - C. 100
 - D. 50
 - E. 75

Answer:- **50**

4. Bank Guarantees issued for Rs. _____ & above should be signed by two officials jointly
- F. 75000
 - G. 100000

- H. No such Limit
- I. 50000
- J. 200000

Answer:- **50000**

5. If Lead time is 1.5 Month and Usance Period is 2 Months, how much time period required to complete one LC Transaction

- A. 2 Months
- B. 3.5 Months
- C. 3 Months
- D. 0.5 Months
- E. 1.5 Months

Answer:- **3.5 Months**

6. On invocation of guarantee, the amount claimed under the guarantee is to be paid within

- A. 3 working days
- B. 3 days
- C. 5 working days
- D. Immediately
- E. After written permission from RLCC

Answer:- **Immediately**

7. In which LC , the amount is revived or reinstated without requiring specific amendment

- A. Back to Back
- B. Standby
- C. Revolving
- D. Transferable
- E. Confirmed

Answer:- **Revolving**

8. The LC which stipulates that delivery of documents by the seller against payment only is called
- A. DA LC
 - B. DP LC
 - C. Inland LC
 - D. Transferable LC
 - E. Back to back LC

Answer:- **DP LC**

9. The LC which stipulates that delivery of documents by the seller against acceptance and that the payment will be made on due date is called
- A. DA LC
 - B. DP LC
 - C. Inland LC
 - D. Transferable LC
 - E. Back to back LC

Answer:- **DA LC**

10. Which one is not a Financial Guarantee

- A. Deferred Payment Guarantee
- B. Guarantees towards revenues dues, taxes, duties, levies etc in favor of Tax/Customs/Port/Excise Authorities etc.
- C. Guarantees on behalf of a contractor for due completion of work
- D. Credit Enhancement
- E. Guarantees for credit facilities

Answer:- **Guarantees on behalf of a contractor for due completion of work**

11. Which one is not a Performance Guarantee

- A. Guarantee in lieu of security deposit/earnest money deposit
- B. Guarantee on behalf of a manufacturing company in respect of supply/performance of a product
- C. Guarantees for credit facilities

- D. Retention Money guarantees
- E. Bid Bonds

Answer:- **Guarantees for credit facilities**

12. Bank guarantee limit must not be linked to the borrower's

- A. Installed capacity
- B. Financial capacity
- C. Technical and managerial resources
- D. Sales turnover
- E. Beneficiary Creditworthiness

Answer:- **Beneficiary Creditworthiness**

13. Assessment of LC limit for purchase of fixed assets depends upon

- A. Lead Time
- B. Usance Period
- C. Operating cycle of the company
- D. The purchase price of Fixed assets to be purchased less advance payment made, if any
- E. Margin on LC

Answer:- **The purchase price of Fixed assets to be purchased less advance payment made, if any**

14. Which of the following are non fund based facility/ies

- A. Letter of credit
- B. Letter of guarantee
- C. Deferred payment guarantee
- D. All of the above
- E. None of the above

Answer:- **All of the above**

15. Lead time, under assessment of Letter of Credit Limit, depends upon

- A. Nature of product i.e. easily available or little difficult to get it, make to order or always ready in stock
- B. Demand Supply situation
- C. Distance between place of customer and of supplier
- D. Mode of transport i.e. by road, air, water etc.
- E. All the above

Answer:- **All the above**

16. The bank which maintains Nostro account of the LC opening bank and reimburses to claiming bank is called ?

- A. Negotiating Bank
- B. Reimbursing Bank
- C. Confirming Bank
- D. Advising Bank
- E. Issuing Bank

Answer:- **Reimbursing Bank**

17. Which type of Guarantee is issued, in case of purchase of capital goods involving huge amount and debtor is given facility of paying in installments, e.g. Machinery.

- A. Performance Guarantee
- B. Mobilisation Advance Guarantee
- C. Deferred payment guarantee
- D. Bidbond Guarantee
- E. Term Guarantee

Answer:- **Deferred payment guarantee**

18. Parties to the contract of guarantee are

- A. Principal debtor
- B. Creditor
- C. Guarantor

- D. only Option 1 and 2
- E. All are parties

Answer:- **All are parties**

19. Which is not true about assessment of Bank Guarantee

- A. Requirement of Bank Guarantee should arise out of genuine trade/business
- B. It can be issued for any purpose. Specific purpose is not required
- C. It should be in relation to applicant's line of trade/business
- D. It should be for a definite amount
- E. Guarantees are to be issued for a specific period

Answer:- **It can be issued for any purpose. Specific purpose is not required**

20. As per Article 3 of UCPDC 600, a credit under LC is ?

- A. Revocable
- B. Irrevocable
- C. Transferable
- D. Revolving
- E. Confirmed

Answer:- **Irrevocable**

21. When a letter of credit does not indicate whether it is revocable or irrevocable, it is treated as

- A. Revocable
- B. Irrevocable
- C. Revocable or irrevocable at the option of the beneficiary
- D. Revocable or irrevocable at the option of the negotiating bank
- E. Revocable or irrevocable at the option of the applicant

Answer:- **Irrevocable**

22. Who has the authority to permit a branch to issue BG for periods beyond 10 years

- A. RLCC
- B. Branch Head above Scale IV
- C. ZLCC
- D. Branch Head under his delegation
- E. CAC at Central Office (CAC III & above)

Answer:- **CAC at Central Office (CAC III & above)**

23. LC which guards against the risk of failure of issuing bank is _____ LC

- A. Standby
- B. Transferable
- C. Back to Back
- D. Confirmed
- E. None of the above

Answer:- **Confirmed**

24. A New Letter of credit issued by a bank on the strength of the existing Letter of credit is called _____ credit.

- A. Standby
- B. Transferable
- C. Back to Back
- D. Confirmed
- E. None of the above

Answer:- **Back to Back**

25. Which of the following LC generally used as substitutes for performance guarantee?

- A. Standby LC
- B. Green Clause LC
- C. Read Clause LC
- D. Irrevocable LC
- E. Revolving LC

Answer:- **Standby LC**

26. Under Letter of Credit, Bank undertakes to pay a seller for his goods provided,

- A. The goods are delivered to the buyer
- B. The goods are delivered are and of good quality
- C. The goods delivered to buyer are equal to demanded amount
- D. All the conditions of Letter of credit have been complied with
- E. The seller submitted the LC for payment

Answer:- All the conditions of Letter of credit have been complied with

27. Usance period is

- A. The period of credit given by the purchaser to make the payment for the goods supplied which depends upon the nature of business practice and mutual agreement of the customer and supplier.
- B. The period of credit given by the supplier to make the payment for the goods supplied which depends upon the nature of business practice and mutual agreement of the customer and supplier.
- C. The time taken for supply of goods (to be purchased on LC basis) from the date of placing order till goods reaches to the customer.
- D. The time taken for supply of goods (to be purchased on LG basis) from the date of placing order till goods reaches to the customer
- E. None of the above

Answer:- The period of credit given by the supplier to make the payment for the goods supplied which depends upon the nature of business practice and mutual agreement of the customer and supplier.

28. Green Clause Letter of Credit refers to special clause authorizing for _____?

- A. Transfer
- B. Renewal without amendment
- C. Security of another LC
- D. Advance for purchase of raw material, insurance and storage
- E. Advance for purchase of raw material and storage only

Answer:- Advance for purchase of raw material, insurance and storage

29. Bank Guarantee limit assessment happens by using which method

- A. Turnover Method for limit upto Rs.5 crore
- B. Flexible Bank Finance Method for limit more than Rs.1 crores
- C. Cash Budget Method
- D. Options '1' & '2'
- E. There is no prescribed method for assessment of BG limit

Answer:- **There is no prescribed method for assessment of BG limit**

30. Letter of credit transactions are generally governed by the provisions of

- A. Uniform customs and Procedures for Documentary Credits.
- B. United Conference on Practices for Documentary Credits.
- C. Uniform Customs and Practice for Documentary Credits
- D. Uniform Code and Procedure for Documentary Credits
- E. Universal Customs and Practice for Documentary Credits

Answer:- **Uniform Customs and Practice for Documentary Credits**