

Topic- UCP 600

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1. A Letter of Credit is an undertaking of making payment given by

- a) Importer to Beneficiary
- b) Issuing Bank to Negotiating Bank
- c) Opening Bank to Consignor
- d) Consignee to Consignor
- e) None of the above

Answer Issuing Bank to Negotiating Bank

2. In a Letter of credit transaction as per UCPDC, banks deal in

- a) Documents and not in goods
- b) Goods and not in documents
- c) Both documents and goods
- d) Only goods
- e) None of the above

Answer Documents and not in goods

3. In terms of UCP 600, in the absence of any indication in the Letter of credit, it will be treated as

- a) Revocable letter of credit
- b) Irrevocable letter of credit
- c) Not a letter of credit
- d) Cancelled agreement
- e) None of the above

Answer Irrevocable letter of credit

4. Issuing Bank's Liability is

- a) Primary Liability
- b) Secondary Liability
- c) Contingent Liability
- d) Virtual Liability
- e) None of the above

Answer Primary Liability

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5. In an LC the exporter is called as

- a) Applicant
- b) Buyer
- c) Consignee
- d) Beneficiary
- e) None of the above

Answer Beneficiary

6. The Uniform Customs and Practice for Documentary Credits (UCP 600) contains _____ articles. These articles provide a comprehensive framework for the issuance and handling of letters of credit, standardizing practices in international trade finance.

- a) 37
- b) 38
- c) 39
- d) 40
- e) 41

Answer 39

7. According to UCP 600, who bears the risk of non-payment due to discrepancies in documents?

- a) The issuing Bank
- b) The Confirming Bank
- c) The applicant
- d) The beneficiary
- e) None of the above

Answer The Beneficiary

8. Under UCP 600, what is the maximum period for examination of documents by banks?

- a) 3 days
- b) 5 days
- c) 6 days
- d) 7 days
- e) 10 days

Answer 5 days

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9. What is the purpose of UCP 600?

- a) To standardize international commercial shipping terms
- b) To provide a set of rules for documentary credits
- c) To regulate international banking loans
- d) To set guidelines for international corporate governance
- e) None of the above

Answer To provide a set of rules for documentary credits

10. Under UCP 600, what is the role of the confirming bank?

- a) To issue the Letter of Credit
- b) To advise the Letter of Credit
- c) To add its confirmation to the credit and undertake the payment obligation
- d) To negotiate the documents
- e) To certify the authenticity of the letter of credit

Answer To add its confirmation to the credit and undertake the payment obligation

11. What does Article 8 of UCP 600 deal with?

- a) Issuance of Letter of Credit
- b) Amendment to Letter of Credit
- c) Confirmation of letter of credit
- d) Transferable Credits
- e) Examination of Documents

Answer Confirmation of letter of credit

12. Under UCP 600, who bears the risk of loss or delay in the transmission of documents?

- a) The Applicant
- b) The Issuing Bank
- c) The Beneficiary
- d) The Advising Bank
- e) The Confirming Bank

Answer The Beneficiary

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13. Presentment means placing before the drawee a negotiable instrument for

- a) acceptance
- b) payment
- c) Sight
- d) Sight, acceptance or payment
- e) None of the above

Answer **Sight, acceptance or payment**

14. What is the responsibility of Advising Bank?

- a) To issue LC
- b) To Make payment to the Exporter
- c) To confirm the authenticity of the LC
- d) To advise the buyer the despatch of documents by the seller
- e) To give a payment undertaking

Answer **To confirm the authenticity of the LC**

15. Which of the following ICC publications is not related to letter of credit transactions?

- a) UCP 600
- b) URR 725
- c) URC 522
- d) Incoterms 2020
- e) ISBP 821

Answer **URC 522**

16. According to UCP 600, a credit may be available by one or more of the following methods, except:

- a) Negotiation
- b) Sight Payment
- c) Deferred Payment
- d) Acceptance
- e) Arbitration

Answer **Arbitration**

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17. What does Article 14 of UCP 600 primarily deal with?

- a) Standard examination of documents
- b) Issuance of letter of credits
- c) Transferable credit
- d) Back to Back Credit
- e) Expiry date and place of presentation

Answer Standard examination of documents

18. Who is responsible for ensuring the documents comply with the terms and conditions of the credit?

- a) The Applicant
- b) The Issuing Bank
- c) The Beneficiary
- d) The Advising Bank
- e) The Confirming Bank

Answer The Issuing Bank

19. What does Article 16 of UCP 600 address?

- a) Issuance of Letter of Credit
- b) Examination of Documents
- c) Discrepant Documents, waiver and notice
- d) Transferable Credits
- e) Issuing Bank Undertaking

Answer Discrepant Documents, waiver and notice

20. Which of the following documents is not mandatory unless specifically required by the credit?

- a) Commercial Invoice
- b) Transport Document
- c) Certificate of Origin
- d) Insurance Document
- e) None of the above

Answer Certificate of Origin

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21. Article 31 of UCP 600 deals with:

- a) The issuing bank's undertaking
- b) The confirming bank's undertaking
- c) Partial drawings and shipments
- d) Documents acceptable in electronic form
- e) Confirmation of letter of credit

Answer Partial drawings and shipments

22. What does Article 35 of UCP 600 state about lost documents?

- a) The issuing bank is responsible for replacing them
- b) The applicant must provide new documents
- c) The risk of loss lies with the party that dispatched the documents
- d) The confirming bank must reimburse the beneficiary
- e) None of the above

Answer The risk of loss lies with the party that dispatched the documents

23. What is the main focus of Article 37 of UCP 600?

- a) Acceptance of documents
- b) Examination of Documents
- c) Reimbursement
- d) Transfer of Credits
- e) Transshipment and partial shipment

Answer Transshipment and partial shipment

24. What is the subject of Article 11 in UCP 600?

- a) Nominated bank duties
- b) Issuing bank responsibilities
- c) Advising of credits and amendments
- d) Confirming bank obligations
- f) None of the above

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Answer **Advising of credits and amendments**

25. Under UCP 600, what is meant by “expiry date”?

- a) The date the credit is issued
- b) The final date for document presentation
- c) The date of shipment
- d) The date the issuing bank confirms the credit
- e) None of the above

Answer **The final date for document presentation**

26. According to UCP 600, which of the following is true regarding partial shipments?

- a) Partial shipments are not allowed unless explicitly stated
- b) Partial shipments are allowed unless expressly prohibited
- c) Partial shipments are subject to the discretion of the advising bank
- d) Partial shipments are always allowed
- e) None of the above

Answer **Partial shipments are allowed unless expressly prohibited**

27. Under UCP 600, what is required for a document to be considered “original”?

- a) It must be signed
- b) It must be notarized
- c) It must be marked as "Original" by the issuer
- d) It must be printed on company letterhead
- e) All of the above

Answer **It must be marked as "Original" by the issuer**

28. According to UCP 600, when can an issuing bank refuse to honor a letter of credit?

- a) When the beneficiary requests an amendment
- b) When the documents are not compliant with the terms of the credit
- c) When the applicant’s financial situation changes
- d) When the advising bank refuses to confirm the credit
- e) None of the above

Answer **When the documents are not compliant with the terms of the credit**

29. According to UCP 600, a document must be presented within a certain period after the date of shipment, which is specified in the credit. What is this period generally called?

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- a) Validity Period
- b) Grace Period
- c) Presentation Period
- d) Compliance Period
- e) Critical Period

Answer **Presentation Period**

30. Which article specifies the requirements for a commercial invoice?

- a) Article 18
- b) Article 20
- c) Article 22
- d) Article 24
- e) Article 26

Answer **Article 18**