

Question Text*	AnswerOption1*	AnswerOption2*	AnswerOption3	AnswerOption4	AnswerOption5	CorrectAnswer1*
Which of the following parties issues a documentary credit?	Applicant (Importer)	Beneficiary (Exporter)	Advising Bank	Confirming Bank	Issuing Bank	Issuing bank
Incoterms® are a set of international rules that define:	Responsibilities of freight forwarders	Methods of international payment	Terms of sale for international trade	Procedures for customs clearance	Requirements for documentary credits	Terms of sale for international trade
Which of the following is a function of an advising bank?	Examining documents for discrepancies	Advising the beneficiary of the credit	Negotiating the bill of exchange	Confirming the credit	Issuing the documentary credit	Advising the beneficiary of the credit
In a back-to-back documentary credit, the original beneficiary acts as the:	Applicant for the new credit	Issuing bank for the new credit	Beneficiary for the new credit	Advising bank for the new credit	Confirming bank for the new credit	Applicant for the new credit
When can a beneficiary present documents under a documentary credit?	On or before the shipment date	Strictly within the validity period of the credit	After the goods have arrived at the destination	Anytime after the issuance of the credit	None of the above	Strictly within the validity period of the credit
What is the purpose of a clean report on the documents by the nominated bank?	To confirm the authenticity of the documents	To guarantee payment by the issuing bank	To indicate the absence of discrepancies	To expedite the negotiation process	All of the above	To indicate the absence of discrepancies
Which of the following statements is true about a sight draft?	It is payable a specific time after sight	It must be accompanied by a bill of lading	It is payable immediately upon presentation	The beneficiary must accept the draft before payment	It requires endorsement by the issuing bank	It is payable immediately upon presentation
What is a standby documentary credit used for?	To guarantee performance of a contract other than a sales contract	To provide a payment guarantee to a seller	To finance the purchase of goods	There is no such thing as a standby documentary credit	None of the above	To guarantee performance of a contract other than a sales contract

What is a "fractional discrepancy" in a documentary credit?	A minor inconsistency in a document that does not affect payment	A discrepancy that can be easily cured by the beneficiary	A major discrepancy that renders the documents unacceptable	There is no such term as "fractional discrepancy"	None of the above	A minor inconsistency in a document that does not affect payment
What happens to the documentary credit if the beneficiary fails to present conforming documents within the validity period?	The credit becomes automatically confirmed	The credit becomes irrevocable	The issuing bank is obligated to pay	The credit can be cancelled by the issuing bank	The credit remains unchanged	The credit can be cancelled by the issuing bank
What is a "discounting" option available under a usance credit?	The beneficiary can sell the bill of exchange at a discounted rate to obtain immediate funds	The issuing bank can deduct a discount from the credit amount upon payment	The applicant can receive a discount on the purchase price of the goods	There is no such option as "discounting" under a usance credit	None of the above	The beneficiary can sell the bill of exchange at a discounted rate to obtain immediate funds
What is the risk of confirmation in a documentary credit?	The confirming bank becomes solely responsible for payment, even if the issuing bank defaults	The beneficiary may not be aware of the confirmation and rely solely on the issuing bank	The applicant loses control over the payment process	All of the above	None of the above	The confirming bank becomes solely responsible for payment, even if the issuing bank defaults
What is a "transacting bank" in a documentary credit transaction?	Any bank involved in the handling of documents and payments	The issuing bank and the advising bank	The nominated bank and the confirming bank	The beneficiary's bank	None of above	Any bank involved in the handling of documents and payments
A documentary credit can be denominated in:	Only the issuing bank's currency	Only the beneficiary's currency	Any mutually agreed upon currency	A combination of multiple currencies	None of the above	Any mutually agreed upon currency
What is a "swift message" used for in documentary credits?	To electronically transmit documentary credit information between banks	To send paper documents securely	To obtain a credit rating on the applicant	To track the shipment of goods	None of the above	To electronically transmit documentary credit information between banks

What happens if a discrepancy in a documentary credit is not cured within a reasonable time?	The issuing bank is obligated to pay the beneficiary despite the discrepancy.	The credit becomes automatically confirmed.	The beneficiary can request arbitration to resolve the issue.	The issuing bank can refuse payment and return the documents.	None of the above	The issuing bank can refuse payment and return the documents.
What is a "nominated bank undertaking" clause in a documentary credit?	The nominated bank guarantees payment to the beneficiary if the issuing bank defaults.	The nominated bank agrees to act in accordance with the terms of the credit.	The nominated bank undertakes to negotiate the documents even if they contain minor discrepancies.	There is no such clause as "nominated bank undertaking".	None of the above	The nominated bank agrees to act in accordance with the terms of the credit.
What is the primary function of the Uniform Customs and Practice for Documentary Credits (UCP)?	To establish a set of internationally recognized rules and standards governing documentary credits.	To act as a dispute resolution mechanism for documentary credit transactions.	To define the specific requirements for different types of documentary credits.	To regulate international trade activities.	To promote the use of electronic banking in documentary credits.	To establish a set of internationally recognized rules and standards governing documentary credits.
What is the role of an insurance policy in a documentary credit transaction?	A mandatory document required under all documentary credits.	Protects the issuing bank from financial losses due to non-payment by the applicant.	Protects the seller and/or buyer from financial losses due to damage or loss of goods during transit.	There is no role for insurance in documentary credits.	None of the above	Protects the seller and/or buyer from financial losses due to damage or loss of goods during transit.
What is the main purpose of a "without recourse" clause in a documentary credit negotiation by the nominated bank?	To shift the responsibility for discrepancies to the issuing bank.	To release the nominated bank from any liability for payment if the documents are compliant.	To allow the nominated bank to finance the transaction on behalf of the beneficiary.	To extend the validity period for document presentation.	To permit partial shipments of the goods.	To release the nominated bank from any liability for payment if the documents are compliant.
What is Incoterms?	International Commerce Terms	International Commercial Terms	Intercontinental Terms	International Credit Terms	Internal Commerce Terms	International Commercial Terms
Which Incoterm places the most responsibility on the buyer?	FOB	CIF	EXW	DAP	DDP	EXW

Which Incoterm places the most responsibility on the seller?	FOB	CIF	EXW	DAP	DDP	DDP
What is a confirmed letter of credit?	A credit confirmed by the beneficiary	A credit confirmed by the issuing bank	A credit confirmed by an additional bank	A credit confirmed by the importer	None of the above	A credit confirmed by an additional bank
What is the role of a confirming bank?	Advises the credit	Issues the credit	Confirms and pays the credit	All of the above	None of the above	Confirms and pays the credit
What does ISBP stand for?	International Standard Banking Practice	International Standard Business Protocol	International System of Banking Procedures	International Standards for Business Practice	None of the above	International Standard Banking Practice
Who is the applicant in a letter of credit?	Exporter	Importer	Issuing Bank	Advising Bank	Beneficiary	Importer
What is an irrevocable letter of credit?	A credit that cannot be amended or cancelled without the consent of all parties	A credit that can be cancelled at any time	A credit that can be amended without consent	A credit that can be transferred	None of the above	A credit that cannot be amended or cancelled without the consent of all parties
What is the purpose of a sight draft?	To demand payment at sight	To guarantee payment in the future	To provide a receipt for goods	To transfer title to goods	None of the above	To demand payment at sight
What is a usance draft?	A draft payable at a future date	A draft payable on demand	A draft payable on presentation	A draft that does not need to be paid	None of the above	A draft payable at a future date