



## Finance of International Trade and Related Treasury Operations

The sample questions are related to the JAIBP Stage 3 course "Finance of International Trade and Related Treasury Operations". The students are advised to thoroughly read the exam guidelines and the syllabus guide for this course before start studying for the paper. The questions are shared to give an idea to the student about the paper format and types of questions. For further information visit the IBP website [www.ibp.org.pk](http://www.ibp.org.pk)

### Multiple Choice Questions

Each MCQ carry one and half mark.

**Q1.** In terms of guarantee / bonds, if no claim is received by the guarantor bank within the validity period, its

- A. extends further
- B. ceases on the expiry date (Answer)
- C. becomes active
- D. transfers to another bank

**Q2.** A document that immediately certifies that, merchandise was in good condition prior to its shipment, is known as

- A. Certificate of Inspection (Answer)
- B. Certificate of Origin
- C. Certificate of Perfection
- D. Packing list

**Q3.** A document which serves as receipt for goods and 'document of title' to the goods is

- A. Commercial Invoice
- B. Insurance Policy
- C. Bill of Lading (Answer)
- D. Legalized Invoice



**Constructed Response Question**

Each CRQ carry five marks.

**Question:**

Suppose you have confirmed a letter of credit for USD 100,000, valid for 3 months. You, as a confirming bank, are asked to advise certain amendments.

**A.** Are you bound to confirm the amendment? Why? **2 Marks**

**B.** If you were to confirm amendments for increasing the amount of the credit and extending validity, list any THREE factors that you will consider. **3 Marks**

**Answer:**

**Part-A**

A. it is not mandatory to add confirmation; it is the choice of a confirming bank whether to add confirmation or not. It must communicate to the issuing bank or if amount is exceeding per party risk, confirming Bank will refuse to add confirmation.

**Part-B**

Confirming amendments would depend upon considering:

1. LC Issuing Bank's rating credit worthiness'
2. past track record
3. balance available in Nostro account.



## Extended Response Question

Each ERQ carry ten marks.

### Question:

A. What is international Trade?

**2 Marks**

B. Interpret the role and responsibilities of the following banks in an international trade transaction related LC. Issuing Bank Advising Bank Negotiating Bank Confirming & Reimbursing Bank. **8 Marks**

### Answer:

#### Part-A

Trade between two countries is international trade. Every country produces certain goods or services, which are in demand in other countries. Likewise, countries need certain goods or services, which are short in their own country. To meet demand within country and to sell surplus goods or services, countries get into International Trade with other countries. The importing country has to use its foreign exchange funds to make payment for the goods being imported. Export is one of the vital sources to acquire foreign exchange funds. While seller is in country A, the buyer is in country B, and vice versa. Both the parties are miles away from each other yet the trade is carried out. Because of multiplied amount of risk involved in international trade, both the parties have to be extra careful in dealing with the other party in a different country.

#### Part-B

Issuing Bank - Bank that has issued a letter of credit. The issuing bank is obligated to pay if documents are presented that comply with the L/C requirements. Advising Bank - Bank that receives a letter of credit from the issuing bank for authentication and delivery to the beneficiary. The advising bank is usually a correspondent of the issuing bank located in the same country as the beneficiary. Negotiating Bank - Bank to which letter of credit documents are presented by the beneficiary for collection of payment. The name derives from the fact that the negotiating bank is normally authorized by the issuing bank to negotiate documents (see "negotiate"), but it may or may not choose actually to do so. Furthermore, realizing that this bank may be authorized to pay or accept drafts, rather than negotiate them, UCP500 now uses the term "nominated bank" rather than "negotiating bank." Unless otherwise instructed, negotiating banks in North America generally examine the documents for discrepancies before forwarding them to the issuing bank, but this is properly viewed as a service separate from negotiating and is not necessary when negotiating with recourse. Reimbursing Bank - In a letter of credit transaction, the bank with which the issuing bank maintains an account and which is authorized by the issuing bank to charge that account to pay claims received from the negotiating bank for documents that have been presented. Confirming Bank - Bank that has added its confirmation to a letter of credit. This term is also sometimes used loosely to refer to a bank that has issued a commitment to purchase letter of credit documents without recourse, a practice called "silent confirmation." Remitting Bank - In a draft collection transaction, the first bank in the chain of collection; the principal's or seller's bank. to improve the service in future.