

Quiz 4

1. A documentary credit for USD 120,000 calls for shipment of fertiliser in February, March, April and May. Each shipment is to be for about 500 tonnes. Shipment was effected as follows:

1. 450 tonnes sent 24 February for value USD 27,000.
2. 550 tonnes sent 12 April for value USD 33,000.
3. 460 tonnes sent 30 April for value USD 28,000.
4. 550 tonnes sent 04 June for value USD 33,000.

Which of the above shipments will be honoured on presentation?

- A 1 only.
- B 1 and 3 only.
- C 2 and 4 only.
- D 1, 2 and 3 only.

2. In accordance with UCP600, which of the following statements is correct? The issuer of a standby letter of credit MUST:

- A validate the breach of any underlying transaction.
- B ensure the accuracy of any documents presented.
- C ensure the genuineness of any documents presented.
- D honour presentations that appear on their face to comply.

2. A reimbursing bank has received a valid claim under its reimbursement undertaking and is instructed by the issuing bank NOT to honour the claim. In accordance with the URR 725, the reimbursing bank should:

- A request the claiming bank to cancel the claim.
- B instruct the claiming bank to contact the beneficiary.
- C honour the claim and debit the issuing bank's account.
- D dishonour the claim as per the issuing bank's instruction.

4. An importer requires goods of a stipulated quality while the exporter requires certainty of payment. Which of the following would BEST meet all requirements?

- A Confirmed standby credit payable on demand calling for beneficiary's quality certificate.
- B Confirmed documentary credit payable at sight calling for beneficiary's quality certificate.
- C Unconfirmed documentary credit payable at sight with drafts on issuing bank calling for third party quality certificate.

D Confirmed documentary credit available by acceptance with drafts drawn on confirming bank calling for third party quality certificate.

5. An irrevocable confirmed documentary credit CANNOT be amended or cancelled without the agreement of the:

- A beneficiary and applicant only.
- B confirming bank and issuing bank only.
- C applicant, confirming bank and issuing bank
- D beneficiary, confirming bank and issuing bank.

6. Which of the following can be combined under a credit available with and requiring a draft drawn on an issuing bank?

- 1. Payment.
- 2. Deferred payment.
- 3. Acceptance.
- 4. Negotiation.

- A 1 and 2 only.
- B 1 and 3 only.
- C 2 and 3 only.
- D 3 and 4 only.

7. In accordance with UCP 600, which of the following terms may NOT be altered on a transferred documentary credit? The:

- A amount.
- B required documents.
- C period for presentation.
- D amount of insurance cover.

8. A cumulative revolving documentary credit is opened with six months' validity and allowing for USD 25,000 to be drawn each month. A single drawing is made for USD 25,000 in the first month. What is the available amount in the fourth month?

- A USD 0.
- B USD 25,000.
- C USD 75,000.
- D USD 100,000.

9. A documentary credit which allows partial shipments has the following shipment schedule:

- 1,000 units shipped between 01 June and 30 June.
- 2,000 units shipped between 01 July and 31 July.

2,000 units shipped between 01 August and 31 August.

3,000 units shipped between 01 September and 30 September.

The beneficiary shipped the goods and presented documents as follows:

1. 1,000 units shipped on 15 June documents presented on 30 June.
2. 3,000 units shipped on 15 July and presented on 28 July.
3. 2,000 units shipped on 31 July and presented on 15 August.
4. 3,000 units shipped on 15 September and presented on 30 September.

Which of the above sets of documents are complying?

- A 1 only.
- B 3 only.
- C 2 and 4 only.
- D 1, 2 and 4 only.

10. In accordance with UCP 600, which of the following alterations can a first beneficiary request a transferring bank to make under a transferable documentary credit?

- A Extend the expiry date.
- B Decrease the unit price.
- C Decrease insurance cover.
- D Extend the period for shipment.

11. A transferable credit can do which of the following?

- A Protect the applicant from the risks of loss and error.
- B Allow the second beneficiary to obtain payment for complying documents.
- C Restrict the right of the second beneficiary to claim payment directly from the nominated bank.
- D Permit the supplier to provide the intermediary trader with the security of a documentary credit.

12. A documentary credit calls for a draft at 95 days bill of lading date drawn on the confirming bank. The documentary credit is available by:

- A refinance.
- B acceptance.
- C sight payment.
- D deferred payment.

13. An issuer of a standby credit subject to ISP 98 is responsible for:

- A accuracy of any document.
- B act of omission by the nominated bank.
- C observance of law as stated in the standby.
- D performance of any underlying transactions.

14. A documentary credit pre-advise is issued on 01 March for USD 510,000 with the following terms and conditions:

- Partial shipment allowed.
- Latest shipment date 30 April.
- Expiry date 15 May.

On 02 March the applicant requests an amendment prohibiting partial shipment and extending the expiry date to 30 May. In accordance with UCP 600, what MUST the issuing bank do?

- A Clarify with the applicant the period for presentation.
- B Issue the documentary credit as originally instructed.
- C Issue the documentary credit incorporating all the amendments.
- D Issue the documentary credit incorporating only the extended expiry date.

15. On 03 January an irrevocable documentary credit for USD 500,000 is confirmed. On 17 January the confirming bank receives an amendment cancelling the documentary credit which it advises to the beneficiary. As at 18 January, what is the liability of each bank?

- A Issuing and confirming bank - USD 0.
- B Issuing and confirming bank USD - 500,000.
- C Issuing bank - USD 0 Confirming bank - USD 500,000.
- D Issuing bank - USD 500,000 Confirming bank - USD 0.

16. Which of the following statements is correct when an assignment of proceeds has been effected under a documentary credit issued in accordance with UCP 600?

The:

- A assignee must present complying documents to receive payment.
- B assignee will receive payment of the proceeds directly from the applicant.
- C value of the documentary credit is reduced by the amount of the assignment.
- D beneficiary has assigned its rights to the stated amount of proceeds to the assignee.

17. An applicant has given its counter indemnity to its bankers in connection with a delivery order. Which of the following statements would NOT be included? The applicant:

- A indemnifies the bank against all actions, damages and costs.
- B undertakes to accept the underlying documents irrespective of discrepancies.
- C gives the issuing bank authority to debit its account for the full value pending inspection of the goods.

D undertakes that should the goods form part of a large consignment it will accept that consignment and pay the full value.

18. A documentary credit is issued for an amount of GBP 60,000 and calls for drafts to be drawn at 30 days from bill of lading date. Documents have been presented with a bill of lading dated 09 November. Which of the following tenors on the draft will NOT be acceptable?

- A 09 December.
- B 30 days after 09 November.
- C 30 days from bill of lading date.
- D 30 days date, draft dated 09 November.

19. Which of the following documents MUST be signed?

- A Packing list.
- B Certificate of origin.
- C Commercial invoice.
- D Weight specification.

20. A credit requires an 'invoice' without further definition. Which of the following MUST be considered a discrepancy? An invoice:

- A which is not signed.
- B identified as a tax invoice.
- C made out in a different currency to the credit.
- D issued for an amount in excess of that permitted by the credit.

21. A beneficiary presents complying documents to a confirming bank under a documentary credit available by deferred payment. The beneficiary requests that the confirming bank purchase the documents and prepay against its undertaking. In accordance with UCP 600, which of the following may be the correct course(s) of action for the confirming bank?

1. Obtain the issuing bank's agreement prior to paying the beneficiary.
 2. Refuse the beneficiary's request while undertaking to pay at maturity.
 3. Prepay the deferred payment undertaking.
 4. Obtain an agreement for recourse to the beneficiary.
- A 1 only.
 - B 4 only.
 - C 2 and 3 only.
 - D 3 and 4 only.

22. A documentary credit advised to a beneficiary and payable at sight calls for documents to include an invoice made out in the name of the applicant. Documents presented to the negotiating bank by the beneficiary include a customs invoice but no commercial invoice. All other terms and conditions have been met. What action should the negotiating bank take?

- A Reject the documents as non-complying.
- B Refer to the issuing bank for authority to pay.
- C Return the documents for amendment by the beneficiary.
- D Pay the documents as fully complying with the terms of the credit.

23. If the CIF or CIP value cannot be determined from the documents, a nominated bank will accept an insurance document, which covers:

1. 110% of the gross amount of the invoice.
2. 100% of the gross amount of the invoice.
3. 110% of the documentary credit amount.
4. 110% of the amount for which payment, acceptance or negotiation is requested under the credit.

- A 1 and 3 only.
- B 2 and 4 only.
- C 1, 2 and 4 only.
- D 1, 3 and 4 only.

24. A documentary credit for USD 150,000 calls for a full set of bills of lading and an insurance certificate to cover all risks. The bill of lading presented indicates an on board date of 15 December. Which of the following insurance documents are acceptable?

1. Policy for USD 185,000.
2. Certificate dated 17 December.
3. Declaration signed by a broker.
4. Certificate subject to a franchise.

- A 1 and 2 only.
- B 1 and 4 only.
- C 2 and 3 only.
- D 3 and 4 only.

25. A documentary credit is issued for an amount of approximately GBP 40,000 payable with drafts drawn at 30 days from date of shipment. Documents are presented on 22 September with bills of lading dated 01 September and for value GBP 38,000. Which of the following drafts would be accepted?

1. 30 days from 01 September for approximately GBP 40,000.
2. 30 days from date of shipment – value GBP 38,000.
3. Due 01 October – value GBP 38,000.
4. 30 days from bill of lading date 01 September – value GBP 38,000.

- A 1 and 2 only.
- B 1 and 3 only.
- C 2 and 4 only.
- D 3 and 4 only.