

THE INSTITUTE OF BANKERS PAKISTAN

ISQ Examination (Winter-2011)

Finance of International Trade & Related Treasury Operations – Stage-III

Section-I

Multiple Choice Questions

Number of Questions: 30

Marks: 45

Allotted Time: 60 minutes

Section-II

Constructed Response Questions

Number of Questions: 8

Marks: 55

Allotted Time: 120 minutes

- Q.31 A) What is meant by cultural risk? How is it determined?
- Q.31 B) How does it adversely impact on a cross- border transaction?
- Q.32 State the role of the following banks in documentary credits.
- A. LC ISSUING BANK
 - B. ADVISING BANK
 - C. REIMBURSING BANK
 - D. CONFIRMING BANK
 - E. NOMINATED BANK

Q.33 Read the given statistics of a country and answer the following questions.

TRADE:

- VISIBLE EXPORTS : USD\$ 100,000,000/-
- VISIBLE IMPORTS : USD\$ 89,000,000/-
- INVISIBLE EXPORTS : USD\$ 11,000,000/-
- INVISIBLE IMPORTS : USD\$ 20,000,000/-

- A. Calculate balance of trade of the country.
- B. Calculate current account balance of the country.
- C. Describe how the current account of balance of a country would be affected if the overseas buyers start buying more goods being produced locally.
- D. How will economic recession affect BOP?

Q.34 Describe any FIVE distinguishing features of a Bill of Exchange and any FIVE for a Promissory note.

Q.35 Define the terms Nostro and Vostro accounts and state where these accounts are maintained?

Q.36 Outline the features of documentary collection variants and describe the process flow of a documentary collection with Sight draft?

Q.37 Following is a draft of a letter of guarantee issued by xyz bank Ltd to ABC Co. Ltd on behalf of AAA brothers Ltd. Identify any SEVEN deficiencies with regard to drafted bank guarantee and corrections for each on following format:

LETTER OF GUARANTEE NO.	: APG/111/11
DATE OF ISSUE	: JANUARY 15, 2011
AMOUNT OF GUARANTEE	: PKR 1.763M
DATED OF EXPIRY	: DEC. 2012

M/S. ABC CO. LTD.

APG

M/S. ABC CO. LTD. HAVE ISSUED A PURCHASE ORDER NO. 102938 DATED DECEMBER 15, 2010 VALUING PKR 1,763,250.00 (**RUPEES ONE MILLION SEVEN HUNDRED SIXTY THREE THOUSAND TWO HUNDRED AND FIFTY**) TO M/S. AAA BROTHERS LTD. (HEREINAFTER REFERRED TO AS CLIENT) AGAINST THEIR QUOTATION NO. 45A.111.19 DATED AUGUST 25, 2010.

AND WHEREAS CLIENT HAS REQUESTED FOR ADVANCE PAYMENT OF PKR. 1,763,250.00 (RUPEES ONE MILLION SEVEN HUNDRED SIXTY THREE THOUSAND TWO HUNDRED AND FIFTY ONLY) ENABLING THEM TO BOOK THE CAPTIONED ORDER.

AND WHEREAS M/S.ABC CO. LTD. ACCEDED TO THE REQUESTED OF M/S. AAA BROTHER LTD FOR PAYMENT OF THE ADVANCE AGAINST A BANK GUARANTEE FOR EQUAL AMOUNT ISSUED BY A FIRST CLASS FOREIGN / PAKISTAN BANK IN FAVOR OF M/S. ABC CO. LTD.

NOW IN CONSIDERATION OF AFORESAID, WE XYZ BANK LTD., MMM BRANCH JBB ROAD KARACHI DO HEREBY AGREE AND UNDERTAKE **UNCONDITIONALLY** AS UNDER:

1. IN CASE OUR CLIENT M/S. AAA BROTHERS LTD. FAILS IN SUPPLYING THE GOODS AND /OR IN PROVIDING THE COMPLETE DOCUMENTS UNDER THE CAPTIONED P.O. WE SHALL PAY YOU UPON YOUR **SECOND** DEMAND AND WITHOUT ANY REFERENCE TO OUR CLIENT AND AMOUNT OF PKR 1,763,250.00 (RUPEES ONE MILLION SEVEN HUNDRED SIXTY THREE THOUSAND TWO HUNDRED AND FIFTY ONLY)
2. THE EXPIRY DATE OF THIS LG IS DECEMBER 15, 2012.
3. CLAIMS IF ANY MUST BE LODGED WITH AND RECEIVED BY BANK IN WRITING WITH THE VALIDITY OF THE LG AND SHALL AUTOMATICALLY BE VOID OF ANY CLAIMS.
4. WE UNDERTAKE TO ACCEPT WRITTEN INTIMATION FROM YOU AS CONCLUSIVE AND SUFFICIENT EVIDENCE OF THE EXISTENCE OF DEFAULT OR BREACH AS AFORESAID ON THE PART OF THE CLIENT AND TO MAKE PAYMENT FORTHWITH.
5. TO KEEP THIS GUARANTEE IN FULL FORCE FROM THE DATE HEREOF TILL EXPIRY I.E. DECEMBER 14, 2012.

FOR AND ON BEHALF OF

XYZ BANK LTD.

MMM BRANCH

KARACHI

AUTHORIZED SIGNATURE

ANSWER

DEFICIENCIES	CORRECTIONS

Q.38 How many sections are embodied in Bill of Lading Act – 1856? Which section of the Act covers the issue of evidence of ship. Give your interpretation of the relevant section?
