

**ISQ Examination - Winter- 2012**  
**Finance of International Trade and Related Treasury Operations - Stage- 1**

- Q. a. Describe the purpose of Escrow account and how it is established.
- b. Explain the operation of escrow account in the context of international trade and state the transactions it facilitates.
  
- Q. a. What is meant by a forfaiting transaction?
- b. How does it differ from factoring?
  
- Q. a. State THREE ways in which trade based money laundering risk can be mitigated.
- b. What is the process followed to scrutinize counter party's credentials in trade transactions?
  
- Q. An importer and exporter signed an agreement for trade of steel for which the exporter is willing to provide 90-day credit terms to the importer provided that the LC is issued by a AAA bank. The importer comes to you for issuing the LC.
  - a. What type of LC will be established and why?
  - b. Can your bank allow post import facility in this case? Give reasons for your answer.
  - c. Which one is more risky FBP or FBD and why?
  - d. In case if the goods arrive before documents, what additional funded collateral, if any, is required to secure shipping guarantee in this scenario.
  
- Q. State any FIVE key measures taken by State Bank of Pakistan in the last decade within the context of Foreign Exchange market reforms.
  
- Q. State any FIVE salient features of the current export policy (2011).
  
- Q. List FIVE possible uses of a Proforma Invoice in a cross-border trade transaction with examples.

Q. List at least five risks that are associated in a trade transactions if due diligence is not undertaken by an importer.

Q. M/s Pioneer Hosiery, Faisalabad received an order for supply of hosiery for USD 20,000, to a buyer 'X', in South Africa against a letter of credit. M/s Pioneer Hosiery has no past experience, and, considering an opportunity of a new window of overseas sales, executed the order for USD 20,000 and received payment on submission of the required set of documents under the credit.

After execution of the first order, M/s Pioneer Hosiery was, again, approached by the same importer, for shipment of another consignment of USD20,000 on 30 days sight basis, on the plea that the payment through letter of credit has proved very costly and assuring him that the payment will be honoured on due date. Encouraged with prompt receipt of funds under the previous order, the exporter shipped the next consignment of USD 20,000. On the due date the party failed to pay the bill of exchange and all efforts to locate the party have proved futile.

Required : Specify omissions on the part of the exporter in the transaction stated above and how they can be avoided.

Q. During the financial year 2011-12 Pakistan has experienced a trade deficit to the tune of US\$ 4.517 billion. List at least five factors which were responsible for the adverse balance of trade.

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