

**MAHATMA GANDHI UNIVERSITY**

**SEMESTER V - B.A. ECONOMICS - MODEL II (VOCATIONAL)**

**FOREIGN TRADE FINANCING AND PROCEDURE**

(Answers may be written either in English or in Malayalam.)

Time : 3 Hrs

Total Weightage : 25

**Part A – Objective Type Questions (in bunches of 4)**

*I. Choose the correct alphabet only.*

1. The maximum period of pre shipment finance is normally  
(A) 90 days            (B) 180 days            (C) 60 days            (D) 160 days
2. EXIM Bank was established in the year  
(A) 1982            (B) 1983            (C) 1991            (D) 1981
3. -----is a document issued by importer's bank stating that payment will be made to the exporter if the required documents are presented to the bank within the validity period  
(A) pre-shipment bill (B) bank guarantee (C) letter of credit (D) export order
4. The operations of letter of credit have been regulated and governed by  
(A) uniform customs and practice for documentary credits (B) FEMA  
(C) Export Import Policy (D) Free trade agreement  
(Weightage 1)
5. Which among the following is not important requirement for obtaining pre-shipment finance  
(A) confirmed export order  
(B) undertaking regarding utilization of fund  
(C) appropriate policy or guarantee from ECGC  
(D) resident certificate?
6. Medium and long term post shipment finance is extended by  
(A) EXIM bank (B) SBI (C) NABARD (D) RBI
7. Which is the apex financial institution for promotion and development of small scale industries  
(A) IDBI (B) NABARD (C) SIDBI (D) IFC
8. The theory of Absolute Cost Advantage was propounded by  
(A) Marx (B) Mill (C) Hicks (D) Adam Smith  
(Weightage 1)

9. Which among the following does not come under financial guarantee issued by ECGC?  
 (A) Packing Credit Guarantee (B) Export Finance Guarantee  
 (C) raw material supply guarantee (D) Export Performance Guarantee
10. ----- are boards which have been specially established by the Government of India for the promotion of the export of traditional commodities having high export potential.  
 (A) EPZ (B) Commodity Boards (C) Export Boards (D) EPC
11. Running accounts are permitted in the case of packing credits.  
 (A) always true (B) false but there are exceptions  
 (C) false (D) true but there are exceptions
12. Shipment (comprehensive risks) Policy covers  
 (A) Commercial Risks (B) Political Risks  
 (C) Both commercial and political risks (D) none of the above
- (Weightage 1)
13. ----- was established in 1934 for the purpose of standardization of credit terms offered by different countries  
 (A) Berne Union (B) European Union (C) W.T.O (D) Standard and Poor
14. Parties to Letter of Credit includes  
 (A) the buyer (B) issuing bank  
 (C) the negotiating bank (D) all the above
15. The Bill of Exchange which is sent to the Bank for collection of the proceeds from the drawee unaccompanied by shipping documents is termed as  
 (A) Clean Bill of Exchange (B) Documentary Bill of exchange  
 (C) Usance Bill of Exchange (D) none of the above
16. Indian Council for Arbitration was set up in  
 (A) 1963 (B) 1965 (C) 1968 (D) 1970

(Weightage 1)

### **Part B - Short Answer Questions**

*II. Answer any five out of eight, not exceeding 50 words.*

17. Back to back LC
18. Deferred Credit
19. EXIM Bank
20. Packing Credit
21. Export House
22. Bill of Exchange
23. Charter Receipt

24. Arbitrage

(Weightage  $1 \times 5 = 5$ )

**Part C - Short Essays**

*III. Answer any four questions not exceeding 150 words. Each question carries 2 weightages.*

25. Distinguish between Red clause and Green clause LC.

26. What are the procedures involved in obtaining pre-shipment finance.

27. Write on methods of quality control and pre-shipment inspection.

28. What is Risk Syndication?

29. What are the functions of ECGC?

30. What are the advantages of SEZs?

(Weightage  $2 \times 4 = 8$ )

**Part D - Long Essays**

*IV. Answer any two questions not exceeding 450 words. Each question carries 4 weightages.*

31. Write an essay on pre-shipment finance.

32. Write on different types of Letters of Credit and its operations.

33. Explain the role of EXIM Bank in foreign trade financing.

(Weightage  $4 \times 2 = 8$ )