20 True or False

Decide, then check the answer and reason below each statement.

Question 1

A Letter of Credit is a bank's written commitment to pay the exporter once the agreed conditions are met.

TRUE

This is the core feature of a Letter of Credit and the reason it lowers payment risk for the exporter.

Question 2

Under a Letter of Credit, the exporter bears higher payment risk than under a Documentary Collection.

FALSE

It is the reverse: an LC gives the exporter low risk since the bank guarantees payment, while a collection does not.

Question 3

Documentary Collections are generally cheaper than Letters of Credit but carry higher risk for the exporter.

TRUE

Because the bank only handles documents and funds without guaranteeing payment, cost is lower but exporter risk is higher.

Question 4

A Documentary Collection gives the exporter an unconditional bank guarantee of payment.

FALSE

In a Documentary Collection the bank only exchanges documents and funds and does not guarantee payment.

Question 5

The four core instruments of international trade finance are Letters of Credit, Documentary Collections, Export Credit and Insurance, and Trade Loans.

TRUE

These four instruments form the standard classification tested in JAIIB and CAIIB exams.

Question 6

There are only two core instruments of international trade finance: Letters of Credit and Trade Loans.

FALSE

There are four core instruments, also including Documentary Collections and Export Credit and Insurance.

Question 7

Export Credit and Insurance protect exporters against buyer default and political risk.

TRUE

Export credit agencies and insurers cover non-payment by an overseas buyer and political disruptions.

Question 8

Export Credit and Insurance transfer trade risk away from the insurer onto the exporter.

FALSE

The purpose of export credit insurance is to transfer risk from the exporter to the insurer, not the other way round.

Question 9

Trade finance instruments aim to reduce payment risk, improve cash flow, and open new markets for businesses.

TRUE

These are the widely cited core benefits of using international trade finance.

Question 10

Trade finance instruments have no role in managing currency or political risk in cross-border trade.

FALSE

Trade finance instruments such as export credit insurance specifically exist to manage such risks.

Question 11

International trade finance is a topic tested across multiple IIBF exams including JAIIB and CAIIB.

TRUE

It is a high-weightage, concept-rich topic that recurs across several IIBF certification exams.

Question 12

International trade finance is tested only in CAIIB and never appears in JAIIB.

FALSE

The topic appears across JAIIB, CAIIB, and other IIBF certifications, not CAIIB alone.

Question 13

Trade loans provide short-term financing for working capital and pre-shipment costs.

TRUE

Trade loans bridge the gap between production and payment during the trade cycle.

Question 14

Trade loans are typically long-term financing instruments used mainly to fund real estate purchases.

FALSE

Trade loans are short-term working-capital financing tied to the trade cycle, not long-term real estate funding.

Question 15

Confusing a Letter of Credit with a Documentary Collection is considered one of the most common exam mistakes.

TRUE

Mixing up which instrument actually guarantees payment is a frequently flagged error in trade finance questions.

Question 16

A Letter of Credit and a Documentary Collection provide identical payment guarantees to the exporter.

FALSE

An LC gives a firm bank payment guarantee while a Documentary Collection does not guarantee payment at all.

Question 17

Blockchain and smart contracts are being explored to improve transparency and reduce fraud in trade finance.

TRUE

These technologies can automate steps such as shipment tracking, payment settlement, and compliance checks.

Question 18

Blockchain and Artificial Intelligence are considered irrelevant to the future of international trade finance.

FALSE

Both are cited as emerging trends reshaping trade finance and are increasingly tested in current-affairs questions.

Question 19

Candidates should verify specific figures or regulatory thresholds against the latest official IIBF notification.

TRUE

Syllabus details and numeric limits can change between exam cycles, so relying on old notes alone is risky.

Question 20

Once a candidate memorises trade finance figures from any source, those figures never need to be rechecked before an exam.

FALSE

Limits and thresholds can change between exam cycles, so figures should always be verified against current IIBF notifications.