

Banking Practice Test Questions and Answers

1. What is a 'hostile takeover'?

- A) A merger where the target's board rejects the bid and the acquirer pursues shareholders directly
- B) A government-forced acquisition of a distressed bank
- C) An acquisition financed entirely with junk bonds
- D) A cross-border deal blocked by regulators

2. What is a leveraged buyout (LBO)?

- A) A company buyback of its own stock using retained earnings
- B) An acquisition funded primarily with borrowed money using the target's assets as collateral
- C) A government takeover of a failing bank
- D) A merger between two banks of equal size

3. What is 'factoring' in trade finance?

- A) The sale of accounts receivable to a third party at a discount for immediate cash
- B) The process of setting foreign exchange rates for trade invoices
- C) A method for calculating import duties
- D) A bank loan secured by warehouse inventory

4. What is a 'confirmed' Letter of Credit?

- A) An LC to which a second bank (in the exporter's country) adds its own payment guarantee
- B) An LC that has been reviewed and approved by the ICC
- C) An LC where the buyer has confirmed receipt of goods
- D) An LC backed by the US Export-Import Bank

Answers: 1-A 2-B 3-A 4-A

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