

PGDM (IB) 2013-15 Batch

INTERNATIONAL TRADE OPERATIONS

Sub. Code IB-205

Trimester – II, END-TERM EXAMINATION, December 2013

Time: 2 Hrs 30 Min

Max Marks: 50

Roll No. -----

Instructions: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. In case of rough work please use answer sheet.

SECTION A

Note: Attempt any three Questions

1. You have established an export firm recently and have started exporting processed food items. An inquiry is received by your office for export of mango pulp from a buyer in Ghana. What things will you keep in mind before finalizing the contract and also the terms and conditions that you will include in the contract?
2. Explain the following importance of following documents in International Trade
 - a. Shipping Bill
 - b. Bill of Entry
3. Discuss the most important transport documents used in International Trade by sea and by air? Explain the following type of B/L
 - a. Claused B/L
 - b. To Order B/L
4. Discuss in brief the process of payment when Letter of Credit is used as method of payment. Explain the following types of Letter of Credit
 - a. Red Clause L/C
 - b. Revolving L/C
5. Write brief notes on
 - a. Packing Credit in Foreign Currency
 - b. Insurance Services for Buyers' Credit and Lines of Credit by ECGC

3X5=15 Marks

SECTION B

Note: Attempt any two Questions

1. An exporter of leather goods situated at Agra wishes to export the goods through ICD located at Dadri. Discuss the procedure followed for getting the custom clearance of goods at ICD. Also discuss the procedure followed when factory stuffing of goods take place.
2. INCOTERMS have significant bearing on price quoted by exporter to his buyer. Discuss in detail how does the risk and cost of exporter changes with every INCOTERM for sea mode of transport. Which INCOTERM will you choose if you have good relationship with Insurance and Shipping Companies? Give reasons
3. "UCP has been revised in UCP 600 with the aim to improve the drafting of the UCP in order to facilitate consistent application and interpretation of the Rules". In light of above statement explain briefly the changes brought about in UCP 600 in comparison to UCP 500. Also discuss the common defects in documentation in L/C transaction and its associated risks.

2X10=20 Marks

Section C

Note: Case Study (1 and 2) is Compulsory

Case Study 1

Following is a copy of contract between M/s Lakshmi Food & Energy Ltd., New Delhi and Fortrec Petrochem Pvt Ltd., Singapore. Based on the details given in the contract you are required to fill **Commercial Invoice and Bill of Lading** (Format is Enclosed)

SALE - PURCHASE CONTRACT NO. 13 AS3412

This contract is made on 08 December 2013 between M/s. Lakshmi Foods & Energy Ltd., 306, Hansalaya Building, Tolstoy Marg, Cannought Place, New Delhi -110 001 (hereinafter referred to as Seller) on one part and M/s. Fortrec Petrochem Pvt Ltd., 9834, High St Singapore 469272 (hereinafter referred to as Buyer) on the other part.

It is hereby agreed that the Seller will sell and the Buyer will buy, in accordance with terms & conditions stipulated hereinafter.

SELLER:

M/s. Lakshmi Foods & Energy Ltd.,
306, Hansalaya Building, Tolstoy Marg,
Cannought Place, New Delhi -110 001.

BUYER: Fortrec Petrochem Pvt Ltd.,
9834 High St Singapore 469272.

NOTIFY PARTY: BEML (Malaysia) Sdn Bhd
Level 7, Wisma Genting,
28, Jalan Sultan Ismail,
50250 Kuala Lumpur (Malaysia).

COMMODITY : INDIAN WHITE SUGAR, NEW CROP 2011
INDIAN ORIGIN
Specifications
ICUMSA : 45
Polarisation : 90
Discoloured : 0.5 pct max

QUANTITY: 500 MTS with 10 percent more or less at Buyer's
option at contract price in 20 feet containers

SHIPMENT: 30th December 2013 - 31st January 2014 (BOTH
DATES INCLUSIVE)

PRICE: At USD 450.00 (U.S. Dollars Four Hundred and
Fifty Only) per metric tons. Price basis CFR (Port
Klang, Malaysia).

PACKING/MARKING: In new single Woven polypropylene bags of 50 kgs
net each with Buyer's markings "Eagle" Brand in
red color on both sides of bag. Tare weight of 50
kgs bag at minimum 125 grams each.

WEIGHT/QUALITY/CONDITION OF GOODS:
Final at loading port as per certificates issued by a
first class international independent surveyor of
SGS India Pvt Ltd.OR Cotecna India Pvt Ltd

PAYMENT AND DOCUMENT REQUIREMENT
Documents against Acceptance, within 90 Days
from date of onboard B/L through Bank by T/T
remittance in U.S. Dollars for full value of the
shipment upon submission of following original
documents at the Buyer's Bank in Singapore.

DOCUMENTS REQUIRED:-

1. Commercial Invoice IN TRIPLICATE
2. Full set of 3/3 original and 3 non-negotiable Clean on Board Bill of lading made to Order and blank endorsed marked "Freight Prepaid" and Notify Party to be blank. It should state "2 pct empty bags shipped".
3. Certificate of Weight, Quality and Packing issued by First class surveyor
4. Certificate of Origin issued by Chamber of Commerce and Industry giving origin of goods in Original (3 copies)
5. Phytosanitary Certificate issued by Official Authority

FORCE MAJEURE:

The fulfillment of this contract is subject to GAFTA force majeure clause

ARBITRATION:

Should any dispute arise between parties, settlement will apply to LONDON as per GAFTA rules 125.

Buyer

Seller

AUTHORISED SIGNATORY

AUTHORISED SIGNATORY

Dated :- 8th December 2012

NOTE:-

1. Loadability of each 20 feet container is 21 MTS.
2. Vessel Name :- Tiger Shark- V00786
3. IEC Code of Exporter :- 054653402A
4. Loading Port :- JNPT, Mumbai, India
5. Invoice No. :- NBA/087/0056A

10 Marks

Case Study 2

An L/C is issued by the opening bank and has been transmitted to the nominated bank for payment at sight. The nominated Bank has also been authorized by the opening bank to

advise and confirm the L/C by sight payment besides being the only nominated bank in the credit.

The nominated bank advised the L/C to beneficiary adding its confirmation. The beneficiary presented his documents to the NOMINATED/CONFIRMING BANK one day before validity accompanied with a covering letter from him requesting the bank to send his discrepant documents to the issuing bank according to an agreement with the applicant to accept them.

Due to unexpected financial problems between the issuing bank and applicant, the issuing bank rejected docs on the 5th day and informed the nominated bank.

The nominated bank informed the beneficiary that his documents were rejected by the issuing bank, but beneficiary requested payment from the nominated bank in his capacity of a confirming bank.

The confirming bank refused to pay because the documents were discrepant, but beneficiary insisted on being paid because the confirming bank did not reject the docs within 5 days from date of presentation.

The confirming bank informed beneficiary that there was no need to reject due to a covering letter from the beneficiary himself declaring that documents were discrepant and requesting the confirming bank to send documents as they are to the issuing bank, accordingly no payment will be made to beneficiary.

Do you think that the confirming bank must pay the beneficiary or not? Give reasons

5 Marks

BILL OF LADING FOR COMBINED TRANSPORT AND PORT TO PORT SHIPMENTS

Shipper		B/L No.		
NAME AND LOGO OF SHIPPING LINE / COMBINED TRANSPORT OPERATOR				
Consignee (if other than Notify Party & Address)				
Notify Party (leave blank if stated above)				
Pre-Carriage by		Place of Receipt by Pre-Carrier		
Vessel		Port of Loading		
Port of Discharge		Place of Delivery (if On-Carriage)		
Marks & Nos/ Container No.	No. & Kind of Pkgs. Containers Seal No.	Description of Goods	Gross Weight	Cube (m ³)
Total No. of Containers/Pkgs (in words)		Received in apparent good order and condition		
Movement				
Freight/Charge Indicator				
		Freight Payable at		
Shipped on Board		No. of Original B/L	For The (name of the Shipping Line/CTO)	
For The				
Date	Signature & Initials	Date		Signature & Initials as Agents only

MASTER DOCUMENT-I

92 mm

8

92 mm

C

Expiry		1	Invoice No. & Date 8.5 mm X 46 mm	10	Exporter's Ref. 8.5 mm X 46 mm	11
25.5 mm X 92 mm			Buyer's Order No. & Date 8.5 mm X 46 mm	12		
			Other Reference(s) 8.5 mm X 46 mm	13		
Consignee		2	Buyer (if other than consignee)		14	
25.5 mm X 92 mm			34 mm X 92 mm			
Notify		3	Country of Origin of Goods 8.5 mm X 46 mm	15	Country of Final Destination 8.5 mm X 46 mm	16
25.5 mm X 92 mm			Terms of Delivery and Payment		17	
Pre-Carriage by : 8.5 mm X 46 mm	4	Place of Receipt by Pre-carrier 8.5 mm X 46 mm	5	34 mm X 92 mm		
Vessel/Flight No. 8.5 mm X 46 mm	6	Port of Loading 8.5 mm X 46 mm	7			
Port of Discharge 8.5 mm X 46 mm	8	Final Destination 8.5 mm X 46 mm	9			
Marks & Nos./ Container Nos.	18	No. & Kind of Pkgs.	19	Description of Goods	20	Quantity
						21
						Rate
						22
						Amount
						23
						Total
						8.5 mm X 23 mm
						24