

PGDM (IB) 2014-16 Batch

INTERNATIONAL TRADE OPERATIONS

Sub. Code IB-205

Trimester – II, END-TERM EXAMINATION, December 2014

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 received an inquiry for import of leather garment from a buyer in UK. 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. You are importing capacitor which is used as a component in both computer and electronic items. Discuss in brief the procedure followed for importing it in India.
3. Discuss the most important transport documents used in International Trade by sea and by air? Explain the following type of B/L
 - a. Through B/L
 - b. Switch 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. Back to Back L/C
 - b. Red Clause L/C
5. Write brief notes on
 - a. Post Shipment Finance
 - b. Perils under Institute Cargo Clause 'B'

3X5=15 Marks

SECTION B

Note: Attempt any two Questions

1. An exporter of textile goods situated at Delhi wishes to export the goods through JNPT Port, Mumbai. Discuss the procedure followed for getting the custom clearance of goods at Sea Port.
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. "ECGC is a Government of India Enterprise which provides export credit insurance facilities to exporters and banks in India. Over the years, it has evolved various export credit risk insurance products to suit the requirements of Indian exporters and commercial banks". In light of above statement discuss the various services rendered by ECGC to exporters and banks.

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, Cannaught 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,
Cannaught 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:-

3. Commercial Invoice IN TRIPLICATE
4. 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:-

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

10 Marks

Case Study 2

A sight payment L/C is issued for the amount of (not exceeding) \$ 50,000 allowing partial shipment, the beneficiary presented his first shipping docs for the amount of \$30,000 and was paid due to complying presentation.

2 days before expire date, the issuing bank received a second shipping documents for an amount of \$ 30,000 for payment (approval basis). Due to overdrawn, the applicant waived the discrepancy and instructed the issuing bank to notice the nominated bank and the beneficiary with the following:

- Documents of the second shipment are accepted. –L/C amount to be increased to \$75,000.
- Latest shipment date and expiry date are extended (where a third shipment can be made).

The beneficiary presented his 3rd shipping documents for an amount of \$ 25,000 during the new L/C validity. As no discrepancies were found, the nominated bank took them in compliance and sent them to the issuing bank after debiting the account of the issuing bank.

The issuing bank rejected the documents presented (within the 5 days) due to overdrawn the L/C amount, considering that the beneficiary presented documents for \$ 85, 000, where as the L/C amount must not exceed \$ 75,000 after the amendment, and requested the nominated bank to reverse its entry.

The issuing bank argued that when the 2nd. Shipping documents were accepted the total amount of presentations reached \$ 60,000 then the L/C was amended to be \$ 75,000 so the beneficiary will only have a remaining balance of \$ 15,000.

The nominated bank argued that the \$ 10,000 overdrawn did not affect the L/C amount, because they were sent for payment, accordingly the L/C was amended to be \$ 75,000 instead of \$ 50,000 which enabled the beneficiary to present a 3rd shipping documents for \$ 25,000 dollar.

Which bank decision do you think is correct? Give reasons to support your answer

5 Marks

MASTER DOCUMENT-I

Exporter 25.5 mm X 92 mm	1	Invoice No. & Date 8.5 mm X 46 mm	10	Exporter's Ref. 8.5 mm X 46 mm	11
		Buyer's Order No. & Date 8.5 mm X 92 mm			12
		Other Reference(s) 8.5 mm X 92 mm			13
Consignee 25.5 mm X 92 mm	2	Buyer (if other than consignee) 34 mm X 92 mm			14
	3	Country of Origin of Goods 8.5 mm X 46 mm	15	Country of Final Destination 8.5 mm X 46 mm	16
Notify 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.	16	No. & Kind of Pkgs.	19	Description of Goods	20
		Quantity	21	Rate	22
		Amount			
		23 mm X 105 mm	23 mm X 105 mm	23 mm X 105 mm	23 mm X 105 mm
				Total	8.5 mm X 23 mm
					24

BILL OF LADING FOR COMBINED TRANSPORT AND PORT TO PORT SHIPMENTS

Shipper		B/L No.		
Consignee (If order state Notify Party & Address)		<p>NAME AND LOGO OF SHIPPING LINE / COMBINED TRANSPORT OPERATOR</p>		
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 Bs/L	For The (name of the Shipping Line/CTO)	
For The				
Date	Signature & Initials	Date	<u>Signature & Initials</u> <i>as Agents only</i>	