

PGDM (IB) 2017-19 Batch
INTERNATIONAL TRADE OPERATIONS

Sub. Code IB-204

Trimester – II, END-TERM EXAMINATION, December 2017

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 textile from a buyer in Tanzania. 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. What is counter trade? With help of suitable examples explain various forms of counter trade.
3. Bill of Lading is considered to be one of the most important transport documents in exports. Discuss various types of B/L clearly bringing forward the risks associated with each one of them (if any) for the Shipper and the Shipping line.
4. Explain the following
 - a. Divisible L/C and Back to Back L/C
 - b. Force Majeure Clauses and their role in Export Contract
5. Discuss in brief the purpose of Pre-Shipment Finance. What are the formalities required to be done by the exporter to avail it?

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 Kandla Port. Discuss the procedure followed for getting the custom clearance of goods at Sea Port.
2. Discuss the importance of INCOTERMS in pricing for international markets. What are the various INCOTERMS for any mode of transport? Being an exporter which one will you choose and why?
3. Discuss in detail the process followed if method of payment is Letter of Credit. What precautions should be taken and what are potential risk for different parties involved in Letter of Credit.

2X10=20 Marks

Section C

Note: Case Study (1 and 2) is Compulsory

Case Study 1

M/S ABC has received an enquiry for the supply of 2000 ladies dresses to an importer in US. The pricing policy of ABC garments is to earn 25% profit margin on ex-works cost. It is also known that the same item imported from other countries is on sale in the retail stores in US at \$ 20 per dress. The following costs and expenses denominated in US\$ are as follows.

Variable production expense per dress

○ Raw Material	\$ 2.00
○ Labor	\$ 1.50
○ Overhead	\$0.50
○ Packing Expense per box dresses)	\$ 50.00 (Ten boxes required for all 2000 dresses)
○ Other Item per box	
▪ Newsprint	\$9.00
▪ Polyethylene bags	\$5.00
▪ Stencil marking	\$ 1.00
○ Forwarding per box	
○ Handling	\$ 1.00
○ Wharfage	\$ 1.50
○ Trucking	\$8.00
○ Quota premium	\$ 1.00 per dress
○ Documentation	\$ 40.00
○ Export credit insurance	\$ 30.00
○ Ocean freight	\$ 917.50
○ Marine Insurance	\$ 100.00
○ Handling charges in US	\$ 10% on CIF price
○ Tariff in US	20% on CIF
○ Sales Tax	10% on landed price
○ Wholesaler's markup	30% on wholesaler's cost
○ Retailer's markup	100% on retailer's cost

From the information given above calculate

1. FOB price quotation
2. Retail price at which dress would sell in US
3. Do you think price is competitive? What steps should be taken to make the price competitive.

9 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

6 Marks