

PGDM 2014-16 Batch

INTERNATIONAL TRADE OPERATIONS

Sub. Code: DM 501

Trimester – V, END-TERM EXAMINATION, December 2015

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. Explain with the help of Theory of Absolute Advantage how international trade is beneficial for participating countries.
2. Discuss the most important transport documents used in International Trade by sea and by air? Explain the following types of B/L
 - a. Clean B/L
 - b. Claused B/L
3. 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. Irrevocable L/C
 - b. Revolving L/C
4. Differentiate between Liner and Tramp shipping. Explain various types of charter parties.
5. What is counter trade? With help of suitable examples explain various forms of counter trade.

3X5=15 Marks

SECTION B

Note: Attempt any two Questions

1. "The new Foreign Trade Policy (2015-20) aims to make India a significant participant in world trade by 2020, promote diversification of export basket gain global competitiveness, expand markets and better integration with major regions and increase India's exports of merchandise and services to USD 900 billion by 2019-20 and to raise India's share in world exports from 2% to 3.5%." In light of above statement discuss the highlights of new policy with special reference to MEIS, SEIS and EPCG schemes and initiatives taken for Make in India and Ease of Doing Business.

2. An exporter of textiles situated at Mumbai wishes to export the goods through sea port (JNPT Mumbai). Discuss the procedure followed for getting the custom clearance of goods at sea port.
3. While negotiating with buyer it is very important to choose the appropriate INCOTERMS. Discuss in detail how does the risk and cost of exporter changes with every INCOTERM for any mode of transport. What will be the most preferred incoterm? Give reasons

2X10=20 Marks

Section C

Note: Case Study is Compulsory

Case Study

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.

15 Marks