PGDM (IB) 2019-21 Batch
INTERNATIONAL TRADE OPERATIONS

Sub. Code IB-204

Trimester – II, END-TERM EXAMINATION, December 2019

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 All Questions

1. A. 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? **(CILO 1)**

OR

B. 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. **(CILO 1)**

2. A. Discuss the importance of INCOTERMS in deciding price for a product. How is INCOTERMS – 2020 different from INCOTERMS-2010? Explain INCOTERMS for any mode of transport. **(CILO 2)**

OR

B. An exporter wishes to import components at JNPT, Mumbai for manufacturing engineering goods. The components being imported will be required in parts, so the exporter wishes to keep them in bonded warehouse for a period of three months. Discuss the procedure followed for keeping the goods at bonded warehouse and getting the custom clearance of goods at sea port. **(CILO 2)**

3. A. Discuss in detail the mechanism of payment under letter of credit. What changes have brought about in working of L/C under UCP-600 in comparison to UCP – 500? Explain following types of L/C
   a. Irrevocable L/C
   b. Confirmed L/C
   c. Red Clause L/C **(CILO 3)**

OR

B. Discuss in brief the purpose of Pre-Shipment Finance. What are the formalities required to be done by the exporter to avail it? **(CILO 3)**

10X3 = 30 Marks

Section B

Note: Case Study (1 and 2) is Compulsory

Case Study 1

Tech Fab Pvt Ltd which is manufacturer of ready made garments in Delhi executed an export order for a consignment from New Delhi to Singapore. He has kept 25 % as the profit margin on Ex-Works cost. Following are the costs incurred at various stage of exporting.

S.No	Cost	Value (in $)
1	Raw Material	500
2	Labor	1250
3	Fixed Cost	1500
4	Packing & Marking Expense	200
5	CHA Charges	100
6	Forwarding Charges (Exporter's Country)	150
7	Ocean Freight	400
8	Marine Insurance 1. Institute Cargo Clause A 2. Institute Cargo Clause C	1. 75 2. 50
9	Forwarding & Material Handling Charges (Importer's Country)	175
10	Tariff ((Importer's Country)	600

Calculate the Price for following INCOTERMS

1. FOB
2. CIP
3. DTU
4. DDP
5. What kind of quotation would you prefer as an exporter? Give Reasons **(CILO 3)**

12 Marks

Case Study 2

BILL OF LADING DISPUTE

The General Manager Operations of Maharashtra Export Company (MEC), Bombay, was hopping mad. He screamed over the telephone: "Why? How can the Master of the vessel clause the bill of lading? He has nothing to do with the quality of the cargo.... This way how much business would he have at any port? Our cargo has already been surveyed by the surveyors. Show him the survey report..." But the person at the other end was helpless as he had tried everything but in vain. The Master of the vessel Arabian Sea refused to issue a clean bill of lading for the cargo. The cargo was 15,609.55 MT of Indian milling wheat loaded in bulk at the port of Magdalla, Its destination was Al Mukalla, the feeder port for several Gulf countries. While some reservations of the Master of the vessel had been addressed after a joint survey, he could not ignore the fact that the cargo was badly contaminated. That the cargo got contaminated during port operations was not his concern. In his opinion, the shipper should have been extra careful, if such was the state of affairs at the Magdalla port.

Bill of lading not clean

The mate receipts indicated that nearly 1,000 kg of cargo loaded on board was mixed with foreign materials like plastics, nylon, wooden paper, linen, etc. About 500 pieces empty or filled bags were kept inside the bulk cargo during the loading operations. About 7 MT of cargo was loaded in wet rot condition.

The master of the vessel refused to issue a clean on board bill of lading. He remarked:

1. There is plenty of foreign material in the cargo.
2. Cargo is wet.
3. The cargo is contaminated with sulphur, coal, and cement.

The shipper was not willing to accept a claused bill of lading as that would have delayed negotiation of the documents. As it was, the loading operations had taken more time than envisaged and a lot of the shipper's money was tied up with the cargo. The interest was mounting. The shipper had to have a clean bill of lading. Otherwise, he would have to negotiate documents under reserve.

The shipper found it rather surprising that the master of the vessel should be concerned about the quality of the cargo already surveyed by the surveyors. It was none of his business. But since a clean bill of lading was not being issued, it was agreed mutually to undertake a joint survey. As far as the foreign material clause was concerned some quantity was specified and the same was done with respect to the wetness of the cargo. After all, the entire cargo was neither fully contaminated nor wet. However, the master of the vessel would not agree on removing the third clause, since he .had seen considerable contamination himself. He wanted to safeguard the interest of the owners of the ship.

The shipper was in a dilemma. Over 10,000 MT of wheat was lying in the stockyard ready for shipment, and no other ship was in sight. Moreover the quantity was not adequate for a full shipload.

Questions

1. Was the decision of Master of the Vessel to clause the Bill of Lading correct? What are your views?
2. Is there any possibility for the shipper to procure clean Bill of Lading. **(CILO 3)**

8.0 Marks