Roll No. ________________________
(Do not write anything on question paper except Roll No.)
[This paper consists of THREE Pages]

Jagan Institute of Management Studies
End-Term Examination, September-October, 2017
Trimester IV – PGDM 2016-18

International Trade Procedure & Documentation
ET_PG_ITPD_0310

Time: 3 Hrs. *M. Marks: 70*

INSTRUCTIONS: Attempt any FIVE questions including Q1 & Q7 which are compulsory.

Q 1 Attempt any **THREE** of the following:

a) Obtaining IEC No. is a pre-condition of a business firm to initiate any international transaction. Is it true? If yes, show the procedure of obtaining IEC No. in case of a partnership firm.

b) International transactions are conducted according to the terms and conditions negotiated between exporter and importer. In this context international sales contract play a crucial role for ensuring the interest of both the parties. Comment while highlighting the role of Vienna Convention for Harmonization of Trade System and various elements of international sales contract.

c) If you are an exporter, would you prefer Documents against Acceptance (DA) over Documents against Payment (DP)? Highlight the pros and cons of both the method of payments for an exporter.

d) Bill of Entry and Bill of Lading are the crucial documents for completing an import/export transaction complete. Justify. **15**

Q 2 As a newly appointed export manager, you have received an export order for export of basmati rice to Saudi Arabia. Write down the steps you will take for executing the export order. **13**

Q 3 Inland Container Depot (ICD) serves as a transhipment point in the delivery of export/import goods and thus extends a huge support to the airport/seaport in terms of reducing load and congestion. Justify the role of ICD with the help of showing its working mechanism in brief. **13**

Q 4 An importer in Singapore asks for a quotation for 5000 kg of almonds. You are an exporter in Dubai. Assume that the unit price is $2 per kg, the total price for 5000 kg almonds would be $10000 for the goods only. You have to take a decision on the amount to be quoted. How your quotation would be effected if you are required to undertake the following expenses. Show all the price quotation differently as per different INCOTERMS 2010.

i) Export packing, marking crates with shipping marks - $400

ii) Delivery to railway station by road transport - $100
iii) Rail transport to port and getting goods alongside ship - $ 310
iv) Dock dues, loading goods on board ship, preparing shipping documents - $ 100
v) Sea freight to Singapore - $875
vi) Marine Insurance - $100
vii) anding Charges at destination port - $90
viii) Import duty on 5000 kg almond - $1000 **13**

Q 5 "Letter of Credit is the safest mode of the payment." Prove the statement with the help of clear cut mechanism of realizing the payment under this arrangement. **13**

Q 6 a) Custom clearance procedure of export cargo creates bottlenecks for Indian exporters. Do you agree or disagree with this statement? Also highlight the role of digitisation measures undertaken by the Government in recent times to simplify the trade procedures.

b) Government of India provides several export incentives and facilities to improve the competitiveness of the exporters in the foreign market. Critically examine any two major financial and marketing schemes which have largely availed by the exporters. **13**

Q 7 Read the case and answer the questions given at the end.

Security Vs. Supply Chain

Rohit Sharma, a leading Mumbai based garment exporter is a worried man today. The source of his worry is a news item, which has appeared in newspapers regarding US customs advance manifest regulations. According to this new rule, ocean carriers and/ or automated NVOCCs are required to submit a cargo declaration 24 hours before the cargo is loaded on board a vessel.

The US is the main market for Sharma's company, Tulip Garments, which exports more than 50% of its production to American buyers. For Sharma, meeting stringent delivery schedules of his overseas buyers was itself an uphill task on a daily basis. He was faced with acute power-cuts (for which a new diesel generating set has been ordered) and labour unrest. The timely delivery of fabrics, which is his raw material, is also a constant source of worry. Added to this is the news about the new customs regulation in US.

Sharma is particularly concerned because his established way of conducting business will be seriously affected by the 24-hour rule. Most of the deliveries made by Tulip Garments are on a just-in-time (JIT) basis. This means that a consignment dispatched from his factory on Friday evening could still be loaded on a vessel due to sail on Saturday. With the new rule, this has all changed. Mahesh Shinde, the forwarding agent of Tulip Garments has informed Sharma that now he will have to get his consignment ready at least 48 hours earlier. That is, instead of 1700 hours on Friday, now the consignment has to be dispatched by 1700 hours on Wednesday. This will give ample time to Shinde to submit data via AMS to US Customs. This is particularly true for less-than-container load (LCL) cargo, which needs consolidation. Full-container load (FCL) cargo, though, is not much affected.

Sharma is now thinking how to trim 48 hours from his production cycle from fabric to garment? He realizes that he himself follows in the JIT system of inventory management and is dependent on the daily arrival of fabric from mills, which are his suppliers. The smallest delay in arrival of fabric will disturb his own delivery schedule. To Sharma's mind, the solution could be to keep the raw material inventory in stock. For converting fabrics into garments, Sharma depends on manual labour and is already facing problems related to absenteeism. Even one tailor's absence, stretches his delivery schedule to limits. He is wondering, how he would slash those 48 hours? Will automation help him solve this problem? But he realizes that every solution to his new problem demands new investments. If Sharma keeps raw material in stock, his capital is locked in inventory. If he employs more people, he adds to his work force and ends up paying more salaries, and adding to his existing problem of labour unrest. If he decides to invest in automation, he will have to raise funds on loan from his bank and add to his interest burden. Shinde has also informed Sharma that he would have to bear an additional surcharge of US$ 20 per B/L towards meeting the operational cost of data transmission to the US customs using AMS.

Sharma calculated his additional costs with each alternative and finds that his already wafer – thin profit margin is being swallowed by just one change in the US customs rule.

Questions:

a) Is the US government justified in putting their own security concerns ahead of business interest of thousands of small entrepreneurs like Sharma? Could they have devised any other way to add security without hurting small enterprise?

b) Should Sharma be made to pay operational cost of data transmission to US customs? Alternatively, please suggest who in your opinion should bear this cost?

c) Offer your suggestions to Rohit Sharma to overcome his various problems stemming out of the US customs 24-hours manifest rule. **16**

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