

Jagan Institute of Management Studies
End-Term Examination, April, 2017
Trimester III – PGDM (IB) 2016-18

International Trade Procedure & Risk Management
ET_IB_ITPR_1904

Time: 3 Hrs.

M. Marks: 70

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

- Q 1** Give your answer with reasons in detail with reference to the following statements:
- a) LC prohibits partial shipment whereas goods supplied are only 95% of the quantity. Seller will have a problem.
 - b) Anticipatory LC are good for the exporter and bad for importer.
 - c) Exporter is safe if he consigns goods in the name of bank under DA shipment.
 - d) LC expired for shipment on 30th Sept (Sunday). Shipping company was closed due to Puja holidays from 1st October. On 8th Oct there was curfew in the area. B Lading was therefore issued on 9th Oct. Bank refused to accept. Is the Bank right or wrong in its refusal?
 - e) LC calls for description of goods as “Chloramine”. All other docs are having exact description except Bill of Lading which states as “Chemicals”. Shipping company is refusing to change and bank has rejected the documents. Bank is right or wrong? **15**
- Q 2**
- a) Describe the major classification of documents in international trade along with their functions. **7**
 - b) Explain the role of:
 - i) Reimbursing Bank.
 - ii) Advising Bank.
 - iii) Confirming Bank.
 - iv) Negotiating Bank. **6**
- Q 3**
- a) Risk Management in International business is different as compared to the local business. Discuss and list out various risks associated with International Business along with their hedging products. **7**
 - b) Discuss different types of INCOTERMS with responsibilities of the trading parties under each term. **6**

- Q 4** a) Explain in detail various types of risks generally covered in a Marine Policy and the procedure for lodging a claim with the insurance company. **7**
- b) Discuss Guarantees along with their various features, types and usages. Explain as to why URDG is better than the provisions provided for guarantees under Indian Contract Act. **6**
- Q 5** a) Structure various options under a letter of credit situation when the seller S' is not the actual exporter and he has to buy the goods from another party 'S1' in the following circumstances.
- i) 'S1' is not agreeable to sell without having a letter of credit and the buyer wants to deal with S only.
- ii) Buyer wants to deal with S only and S is not agreeable to give a LC cover to 'S1' but agrees to offer him payment comfort.
- iii) Buyer is ready to deal with any seller as appointed by S. **6**
- b) Why is writing a sales contract necessary? Discuss important elements of a sales contract and the authorities involved in its standardization. **7**
- Q 6** a) Explain the following:
- i) Evergreen and Revolving LCs.
- ii) Tolerance limit as permitted under UCP.
- iii) Charter Party and Conference Line Vessel.
- iv) Nostro , Vostro , Loro and Escrow accounts. **8**
- b) Explain important functions of a AWB. Discuss different types of AWB with risk associated. **5**
- Q 7** Your Export Department has received the enclosed LC (see attached sheet). Analyse the LC and specify your observations with specific reasons on the following aspects:
- a) Is it an Irrevocable LC? Whether the seller is protected under this LC? If not, why?
- b) List out anomalies observed in the LC.
- c) List out violations of UCP advises in this LC. **16**

EXPRESS BANK
1, Wall Street, New York

Place & Date of Issue
New York 03rd Aug 16

DOCUMENTARY CREDIT	CREDIT NO. 781159
ADVISING BANK INDIA BANK LTD., Connaught Place, New Delhi	APPLICANT Target Inc , P.O. Box No. 448 New York
Beneficiary Steel Works Ltd BS Road ,N.Delhi	Amount :USD 56000/-FOB N.Delhi Expiry : 31 st Oct 2016
SHIPMENT FROM ICD Delhi via Bombay Port Shipment : Latest 10 th Oct 2016	SHIPMENT TO Any Port in USA

Dear Sirs,

We hereby issue this documentary credit in your favour, which is available by negotiation of your draft(s) at 180 days from date of shipment of goods , drawn on applicant quoting documentary credit No. 781159 and accompanied by the following documents

Signed invoice(s) in 3 copies

Full set of clean 'ON BOARD' ocean bills of lading and one non-negotiable copy consigning goods in the name of applicant , order endorsed in blank, marked 'FREIGHT PREPAID' and to notify applicant.

- Marine Insurance Policy or Certificate in duplicate
- Certificate of Origin
- Test Certificate
- Weight List in 10copies
- Inspection certificate

Covering: About 56000 Kgs. PLAIN HARD STEEL REJECT-BRITISH GUAGES 2 TO 12 @ USD\$ 1 per Kg FOB . In continuous length unprotected unwrapped catch weight coils, minimum weight about 50 Kgs. Liable to surface rusty prior to shipment, as per Performa Invoice dated July 27, 2016

One original bill of lading along with non-negotiable set of documents to be sent to openers directly

Partial shipment allowed. Transshipment not allowed.

Documents must be negotiated not later than 7 days after the date of shipment, in any case not later than expiry of credit.

We hereby engage with the drawers and or bonafide holders that draft and negotiated in conformity within the terms of this credit will be duly honoured on presentation.

The advising bank is requested to notify the beneficiary without adding their confirmation.

Yours faithfully
EXPRESS BANK