

Name:	 UPES UNIVERSITY WITH A PURPOSE
Enrolment No:	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, December 2019

Course: International Trade Operations and Documentation

Semester: 3

Program: MBA Port and Shipping Management

Time: 03 Hours

Course code: INTB 8004

Max. Marks: 100

Instructions:

SECTION A answer all questions

		Marks	CO
Q 1	Under _____ terms, the documents are released to the import firm only after receiving the payment for the exported goods. a. Documents against payment. b. Documents against acceptance. c. Both a and b. d. L/C.	2	CO2
Q2	_____ is contractual agreement whereby the issuing bank (import firm's bank), acting on behalf of its customer (importer), promises to make payment to the beneficiary or exporter against the receipt of "complying" stipulated documents. a. Escrow b. Letter of Credit c. Documentary Bill d. Bill of Exchange	2	CO3
Q3	To start the export import business in India, the first step is to _____. a. Register with director general of Foreign trade b. Obtain an Importer-Exporter code (IEC) number c. Register a company in India d. Any of these	2	CO1
Q4	For every exporter, it is necessary for the firm to get registered with the _____. a. ECI (Export Import Council) b. DGFT(director general of foreign trade) c. IIFT (Indian institute of foreign trade) d. Commodity board	2	CO2
Q5	_____ duty/duties are exempt under DES. a. Basic customs duty b. Additional customs duty including education cess c. Antidumping duty/safeguard duty d. All of the above	2	CO2
Q6	Import of capital goods under the EPCG scheme is subject to actual user condition _____. a. Forever b. Even before export obligation is completed	2	CO3

	c. Till export obligation is completed d. None of the above		
Q7	_____ means only freight charges will be paid by the exporter and insurance charges will be borne by the buyer himself. a. CIF (cost including insurance and freight) b. FOB (free on board) c. C&F (cost including freight) d. None of these	2	CO4
Q8	_____ is a document certifying the description and value of goods entering the country. a. Bill of Lading b. Bill of Entry c. Education Cess. d. Ex-Works.	2	CO3
Q9	_____ is type of L/C in which one more bank other than the issuing bank has to add its guarantee. a. Usance L/C. b. Confirmed L/C. c. Revocable L/C. d. Irrevocable L/C	2	CO1
Q10	Under _____ the buyer has to bear all costs and risks involved in taking the goods from the seller's premises. a. Carriage and insurance paid (CIP) b. Ex works (EXW) c. Free carrier (FCA) d. Carriage paid to (CPT	2	CO2
SECTION B Answer any four			
Q 11	Explain functions of Bill of Lading.	5	CO2, CO3
Q 12	Discuss about role of ECGC in India and its functions.	5	CO1
Q 13	Critically analyse various INCOTERMS and the liabilities of buyer and seller	5	CO2
Q 14	Discuss in detail about EPCG and Advance customs clearance permit	5	CO3
Q 15	Explain about various Tariff and Non-Tariff barriers in International Trade.	5	CO4
SECTION-C Answer all questions			
Q 16	Discuss in detail various Documents required for Export and functions of them.	15	
Q 17	Discuss the role of a letter of credit used as a payment method in international trade? Analyse various basic types of L/Cs used to make payment to the export firms?	15	

SECTION-D

Case Study Answer all the questions

M/S Auto India

Introduction

M/S Auto India is a public limited company; they manufacture SUVs (sports utility vehicle), in technical collaboration with General Motors of USA. The company has established their manufacturing base at Ranjangaon in Pune. They have acquired an area of 250 acres and the total project cost is estimated at Rs 1500 crores. As per the projections, the company is slated to achieve a 25% market share in the Indian market, within a period of two years.

Out of the total project cost, 49% is brought in by General Motors and the rest is tied up with financial institutions, international banks and Indian banks. The working capital is financed by a consortium of banks in which Global bank, Pune branch, is the leader. The company imports many parts of the car engine in a CKD (completely knocked down) condition from General Motors, Detroit, after establishing import letters of credit through its main bankers, Global Bank, Pune Branch.

M/S Auto India approached Global Bank, Pune for opening of import letter of credit as per UCP ICC 600 for USD 100,000, on sight basis, in favour of General Motors, Detroit.

Type of credit - Irrevocable negotiable
Application - UCP ICC 600
Applicant - M/S Auto India, Pune, India Beneficiary - M/S General Motors, Detroit, USA Issuing Bank - Global Bank, Pune, India
Advising Bank - The American Bank, New York Negotiating Bank - The American Bank, New York Reimbursing Bank - International Bank, New York
Availability - Negotiable at sight
Expiry - At the counters of The American Bank, New York
Amount - USD 100,000
Merchandise - Car engine parts
Quantity and price - 50 units @ USD 2000 per unit

Circumstances

Issuing Bank

Global Bank, Pune issued its irrevocable negotiable credit through its head office in Pune

since Global Bank co-ordinated all its accounting and communication functions at its head office. The Bank's head office transmitted the credit through Swift network as instructed by its Pune branch to General Motors, Detroit, through The American Bank, New York.

Advising Bank

The American Bank, New York advised the credit to General Motors, Detroit on receipt of the swift transmission.

Credit

Along with other conditions, the credit clearly stated that the negotiating bank was to forward the documents directly to Global Bank's head office at Pune.

Beneficiary

After export of the consignment, General Motors, Detroit presented the documents under the credit to The American bank, New York.

Negotiating Bank

The American Bank, New York, examined the documents presented by General Motors and determined that they were in compliance with the terms and conditions of the credit. The American bank negotiated the documents and forwarded the documents, as per the credit terms, to the HO of Global Bank in Pune and claimed reimbursement from International bank, New York.

Reimbursing Bank

International Bank, New York honoured the reimbursement claim by crediting the current account of the American Bank, New York and debiting the account of Global Bank, Pune, in its books.

Issuing Bank Head Office

Global Bank's Head Office, at Pune, received the documents and after internal registration of the documents, forwarded the documents to its Pune Branch by inter-office mail.

Issuing Bank Branch

On receipt of the documents by the Pune branch of Global Bank, they examined the documents and determined that they were discrepant. They were (a) 60 units were shipped instead of 50 units, thereby overdrawing the credit value by USD 2000 (b) Inspection certificate by Auto Inspection Council, USA is not submitted, as per credit terms. Global Bank contacted Auto India for waiver of the discrepancies.

Applicant

Auto India requested for copies of the documents to be forwarded by fax and after reviewing the same, they refused to waive the discrepancies.

Issuing Bank Branch

Global Bank, Pune Branch instructed its HO to transmit an authenticated swift to The

American Bank, New York stating that Global Bank had rejected the documents for the noted discrepancies, requesting the American Bank's instructions as to disposal of the documents, and demanding a refund of the funds reimbursed.

Issuing Bank Head Office

The HO of the Global Bank sent the authenticated swift message to the American Bank,

New York, as instructed by its Pune Branch.

Negotiating Bank

On receipt of the swift notification advising that Global Bank had rejected the documents

for the stated discrepancies, the American Bank informed Global Bank that it did not accept the rejection of the drawing since the Global Bank did not comply with UCP 600 sub-article 14 for standard examination of documents. Therefore, Global Bank was said to be stopped from dishonouring its irrevocable obligation.

Issuing Bank

Global Bank, Pune Branch responded by stating that they acted in accordance with UCP

article 14, since their action did not exceed five banking days following the day of receipt of the documents at their branch counters after which they scrutinised the documents and determined to refuse them. They maintained that as per article 14 of UCP 600, they notified about the rejection of the documents, by swift, not later than the close of the fifth banking day following the day of receipt of the documents.

They had pointed out all the discrepancies and had informed American Bank, New York that they were holding the documents at the latter's disposal.

Negotiating Bank

The American Bank, New York replied as follows:-

We disagree with your position that you acted in accordance with UCP 600 article 14. Documents were delivered by courier to your HO as per the terms of the credit, on Monday, January 7, 2008. Your swift notifying rejection of the documents was not sent until Wednesday, Jan 16, 2008 that is, on the eighth banking day after receipt of the documents by your bank.

Issuing Bank

Global Bank, Pune Branch, responded by stating that even though its HO received the

	<p>documents on January 7, 2008; the Global Bank's Pune Branch did not receive the documents until the following Thursday, January 10, 2008, and the swift advice rejecting the documents was sent within the time period permitted in UCP article 14.</p> <p>Negotiating Bank The American Bank, New York, replied that it was not their concern how Global Bank's operational policy impacted on their inability to comply with UCP. The American Bank, New York stated that in accordance with the credit terms and conditions, documents were negotiated by them and forwarded to Global Bank's HO by courier. The documents were received by Global Bank on Jan 7, 2008, and any notice of rejection of the documents should have been given within the close of the fifth banking day following receipt of the documents. Global Bank's Pune Branch failed to do so. Therefore, the American Bank, New York's position was firm relative to UCP 600 article 14 and they would not refund the funds reimbursed.</p>		
18	Discuss whether Global Bank, Pune Branch correct in its argument, as the credit issuing bank?	15	CO3, CO4
19	Critically analyse the stand taken by The American Bank, New York was correct, as the negotiating bank?	15	CO2, CO4