

Roll No.

Total No. of Pages : 02

Total No. of Questions : 15

MBA (IB) (2014 to 2017) (Sem.-4)
FOREIGN TRADE FINANCING AND DOCUMENTATION

Subject Code : MBAIB-403

Paper ID : [A2553]

Time : 3 Hrs.

Max. Marks : 60

INSTRUCTION TO CANDIDATES :

1. SECTION-A contains SIX questions carrying FIVE marks each and students has to attempt any FOUR questions.
2. SECTIONS-B consists of FOUR Sub sections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks each and student has to attempt any ONE question from each Subsection.
3. SECTION-C is COMPULSORY and consists of ONE CASE STUDY carrying EIGHT marks.

SECTION-A

- Q1. What is letter of credit? Why letter of credit is the most preferred mode of payment?
- Q2. What is an export contract? What are different terms of contract? Discuss.
- Q3. What are methods of payment used in foreign trade?
- Q4. What is ECGC? Why should an exporter avail ECGC cover?
- Q5. What is post shipment credit? What is the procedure to obtain post shipment credit?
- Q6. What is FEMA? What are major provisions of FEMA?

SECTION-B**Unit-I**

- Q7. What is pre-shipment finance? What documents are required to avail pre-shipment finance? What is the procedure to obtain pre-shipment finance?
- Q8. What is marine insurance? What are different policies of marine insurance? What perils are covered by marine insurance?

Unit-II

- Q9. What is EXIM Bank? What are the objectives of EXIM bank? What are the functions of EXIM bank? What are different export financing programs offered by EXIM bank?
- Q10. What is the procedure of custom and port clearance? What documents are required for custom and port clearance?

Unit-III

- Q11. What is quality control in international trade? What is the procedure and documents required for quality control?
- Q12. What is negotiation of documents? What care should be taken while negotiating the documents? What is bill purchase?

Unit-IV

- Q13. What are the steps involved in processing of an export order? Discuss.
- Q14. What are different types of letter of credit? What is a discrepancy in letter of credit? What could be loss due to a discrepancy? How this loss can be minimized?

SECTION-C**Q15. Case Study :**

Ravi is a merchandiser in a garment manufacturing company based in Ludhiana. He received an order for the supply of ten thousand pieces of T-shirt. The price of T-shirt was \$3.2 per piece FOB Mumbai. Ravi obtained the order after going through a process of sample development. The shipment was to be delivered in 60 days from the date of acceptance of order. As soon as Ravi received the order, he sent the acceptance to the buyer to open the letter of credit. The buyer also opened the letter of credit at a price of \$3.20 C&F Charleston port. The shipment was also required to go through the process of pre-shipment inspection and laboratory test. The pre-shipment inspection is to be done by Mr. Rao. The pre-shipment inspection requires all material packed and ready for delivery and the inspector would randomly inspect 10% of material. The report of material inspected would be sent to the buyer for approval. Only after approval from the inspector and the buyer, the shipment is allowed to move out for shipment. The laboratory testing is to be done by a lab situated in Singapore. The lab required maximum one week to test the fabric and send the report the buyer. The fabric required for the production of T-shirts would be delivered in 45 days. Also, goods should leave the factory at least one week before the shipment date to catch the vessel. Ravi is quite sure that the material would be delivered on time. But the factory manager is concerned about the production schedule. The production capacity allocated to Ravi is only 500 T-shirts per day after receipt of fabric.

Questions :

- Q1. Do you think the apprehension of factory manager is correct? Calculate the approximate number of days in the hands of Ravi for production and delivery of the order.
- Q2. Do you think the LC is opened as per the terms of the contract?
- Q3. If you were the merchandiser instead of Ravi, how would you plan the delivery of this shipment?