

# QB365 Question Bank Software Study Materials

## Export and Import Procedures Important 2,3 & 5 Marks Questions With Answers (Book Back and Creative)

11th Standard

Commerce

Total Marks : 75

### 2 Marks

10 x 2 = 20

1) What is meant by Indent?

**Answer :** 1. After the scrutiny of quotation / proforma invoice, the buyer who intends to buy the goods sends an indent to exporter.

2. An indent actually points to an order received from abroad for export of goods. i.e. sale of goods.

2) Mention the types of Indent.

**Answer :** There are three types of indent namely open indent, closed indent, and confirmatory indent.

3) What is meant by Letter of Credit?

**Answer :** Letter of credit is an undertaking by its issuer (i.e. Importer's Bank) that bills of exchange drawn by the foreign dealer on the importer will be honoured upon its presentation by exporter's bank up to a specified amount.

4) What do you mean by EXIM bank?

**Answer :** Export and Import Bank is one of the specialized financial institutions wholly owned by Government of India was set up in the year 1982 for financing, facilitating and promoting foreign trade of India.

5) What is main aim of EXIM Bank?

**Answer :** The main objective of EXIM bank is to co-ordinate the various activities of institutions and bank engaged in financing foreign trade.

6) What is the Role of Commission Agent?

**Answer :** Commission Agent is an international agent who is paid a certain percentage of commission for the order booked by him abroad: He offers product to potential customers in the territory allotted to him in accordance with the terms and condition specified by the principal.

7) What is shipping document?

**Answer :** The shipping document consist of the bill of lading, insurance policy, certificate of origin, consular invoice, etc. It is forwarded to the importer's bank through a foreign exchange bank for collecting the payment of the bill.

8) What is the advantage of obtaining certificate of origin?

**Answer :** The certificate of origin is obtained by the exporter to avail the concession in payment of duties. This certifies the name of the country in which the goods are manufactured.

9) What are the types of bills of exchange?

**Answer :** Bills of exchange can be two types:

(a) Document against payment (D/P)

(b) Document against acceptance (D/A)

10) Write any four documents used in import trade.

**Answer :** 1. Import license

2. Indent

3. Letter of credit

4. Bill of Entry

11) What are the contents of Indents? (any 3)

**Answer : Content of an Indent:**

- (i) Quantity of Goods sent
- (ii) Design of Goods
- (iii) Price
- (iv) Nature of Packing Shipment
- (v) Mode of Shipment
- (vi) Period of Delivery
- (vii) Mode of Payment.

12) What is meant by Mate's receipt?

**Answer :** (i) Mate's receipt is the document issued by the captain of the ship acknowledging the receipt of goods on board by him to the port of specified destination.

(ii) This contains details like quantity of goods shipped, number of packages, conditions for packing, etc.

13) What are the documents used in import trade? (any 3)

**Answer : Import Documents:**

1. Import License.
2. Indent
3. Letter of Credit
4. Bill of Entry
5. Bill of sight
6. Port Trust Dues Receipt
7. Bill Of Lading
8. Bill of Exchange
9. Advice Note

14) What is meaning of consular invoice?

**Answer :** (i) Where the customs duties are charged on the basis of value of goods at import's port (ad-valorem basis) the customs officers are empowered to open the consignment to calculate duties.

(ii) In order to avoid this problem, exporter obtains consular invoice and sends it over to the importer.

(iii) This document is signed by the consul of importers country stationed in exporter's country.

(iv) They simply accept the invoice as true statement of the content of the Consignment.

15) What is Bill of Lading?

**Answer :** Bill of Lading, refers to a document signed by the shipowner or to his agent mentioning that goods specified have been received and it would be delivered to the importer or his agent at the port of destination in good condition subject to the terms and conditions mentioned there in.

16) What is the purpose of the establishment of export trading house?

**Answer :** Export Trading House has been established to increase the export, strengthen the global market, capacity and get necessary facilities for increasing export performance of our country.

17) What are the contents of Bill Lading?

**Answer : Bill of Lading:**

This represents a document acknowledging receipt of goods on board for carrying them over to specified port of destination.

**The contents of the Bill Lading are:**

- (i) Name of the ship
- (ii) Date of shipment
- (iii) Place of Boarding
- (iv) Port of destination
- (v) Name address of exporter
- (vi) Name and address of importer
- (vii) Description of Goods
- (viii) Number of package
- (ix) Distinctive mark on good
- (x) Amount of freight

18) What are the import documents?

**Answer : The import documents are:**

- (i) Import License
- (ii) Indent
- (iii) Letter of Credit
- (iv) Bill of Entry
- (v) Bill of sight
- (vi) Port Trust Dues Receipt
- (vii) Bill of Lading
- (viii) Bill of Exchange
- (ix) Advice Note

19) Explain the various objectives of import trade.

**Answer : Objectives of import trade are:**

**(i) Achieving rapid industrialization:**

Developing countries can achieve rapid industrialisation by importing advanced technology scarce raw materials, capital, goods like machinery equipment, etc., and talents from other countries.

**(ii) Meeting consumer demand:**

Certain goods are either not available or cannot be manufactured / produced adequately to meet the growing demand in,home country. Hence import is necessary to meet the short supply of those goods.

**(iii) Upgrading standard of living of the people:**

Consumers are able to use a wide variety of goods like cell phone, car, laptop, television, audio system, washing machine, perfume, soaps, etc., manufactured in foreign countries and enhance their standard of living through import trade.

**(iv) Meeting shortage situation:**

During famine, earthquake, flood draught, tsunami, abnormal price-increase situations and so on food grains, vegetables and either essential commodities are imported from foreign countries and bad situation arising from the above situations are thus overcome.

**(v) Strengthening defence:**

Many countries around the world import defence equipments for its armed force. Such imports enable the country to ensure its sovereignty and territorial integrity.

20) What are the documents used in Import Trade?

**Answer : Some of the most important documents used in import trade are as follows:**

- (i) Indent
- (ii) Bill of Lading
- (iii) Bill of Entry
- (iv) Letter of Credit
- (v) Bill of Sight
- (vi) Dock Challan
- (vii) Dock Warrant.

**5 Marks**

5 x 5 = 25

21) Distinguish between Bill of Lading and Charter party?

**Answer :**

Sl.No	Basis	Domestic Business	International Business
1	Meaning	This represents a document acknowledging the receipt of goods on board for carrying them over to specified port of destination	It refers to an agreement to hire a whole or major part of ship when the goods take exported is heavy.
2	Transferable	It can be transferred to third party by endorsement and delivery	It cannot be transferred to their party
3	Loan	Loan can be raised against it	Loan cannot be raised it.
4	Crew	Master and crew remain the agent of the ship owner	Master and crew become the agent of exporter for a temporary period.
5	Lease	It is not a lease of ship	It is a lease of ship.

22) What are the objectives of Import Trade?

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(1) Many countries around the world import defence equipments for its armed force.

(2) Such imports enable the country to ensure its sovereignty and territorial integrity.

23) What are the procedures relating to Export Trade?

**Answer : Export Trade Procedure:**

An exporter has to fulfill the formalities given below to export the goods out the country.

**a) Receiving Trade Enquiry:**

Exporter receives trade enquiry (written request) from the importer /his agent who intends to buy the product.

**b) Receiving Indent and Sending Confirmation:**

1. After the scrutiny of quotation / proforma invoice, the buyer who intends to buy the goods sends an indent to exporter.
2. The latter may either receive the order directly from the importer or through an agent who acts as an intermediary between the exporter and the importer.
3. The agent receives commission for this intermediating service.
4. An indent actually points to an order received from abroad for export of goods. i.e. sale of goods. The indent contains the details in the box.

**Arranging Letter of Credit:**

1. Under this stage exporter intends to satisfy himself/herself about the trustworthiness of the importer.
2. In this case the exporter is requested to arrange a letter of credit in his favour.
3. Letter of credit is an undertaking by its issuer (importer's bank) that bills of exchange drawn by the foreign dealer on the importer will be honoured upon its presentation by exporter's bank up to a specified amount.

**d) Obtaining Importer Exporter Code (TEC) and RBI code Number:**

1. Exporter has to apply in Ayaab Niryaat Form 2A (ANF2A) to the Regional Authority of the Director General of Foreign Trade (DGFT) in the region where the registered office of the company is located.
2. Exporter has to mention the number in all the shipping documents.
3. However IEC number is not required where the goods are exported/imported for the personal use of importer and not for trade/ manufacture or agriculture purpose.

**e) Obtaining Registration cum Membership Certificate (RCMC) from Export Promotion Council / Commodity Board:**

An Exporter is required to obtain RCMC from Export Promotion Councils/ Commodity Board/Development Authority in order to avail himself/herself of export incentives, concessions, and other facilities offered by Government e.g. cash compensatory support and benefit of promotional scheme from Government.

**f) Manufacturing / Procuring Goods and Packing items:**

Exporters steps into manufacturing and procuring of goods required by the importer.

**g) Export Inspection Certificate:**

After the goods have been packed as per the specifications of importer, the exporter has to apply to the Export Inspection Agency (EIA) or other designated agency in this connection.

**h) Insurance of Goods:**

Exporter has to arrange for getting the goods insured to protect them against the various risks like deterioration, collision, immersion, fire, entry of sea water, etc. as per the instructions of importer if any.

**i) Certificate of Origin:**

1. Import regulation of foreign countries may require that all this import consignments must accompany a certificate of origin.
2. This certificate certifies that goods which are exported have been manufactured in a particular country.

**j) Consular Invoice:**

1. Where the customs duties are charged on the basis of value of goods at import's port (ad-valorem basis), the customs officers are empowered to open the consignment to calculate duties.
2. In order to avoid this problem exporter obtains consular invoice and sends it over to the importer

**k) Engagement of Forwarding Agent:**

1. After Export Inspection certificate is obtained, the exporter has to obtain clearance from customs authorities.
2. Generally exporters engage Clearing Forwarding Agent to fulfill various custom formalities. The latter do it for fees.

**l) Dispatch of Goods to Port and Sending the Receipt to Agent:**

The exporter will send the goods over to port town by rail or by truck and endorse the Railway Receipt (R/R) or Lorry Receipt (L/R) to forwarding agent's favour with necessary instructions.

**m) Fulfilment of Customs Formalities by Forwarding Agent:**

1. Taking the Delivery of Goods at Port Town
2. Obtaining Shipping Order
3. Charter Party

**n) Customs Clearance:**

1. The exporter or his agent prepares three copies of shipping bill in printed form.
2. The shipping bill contains the details like name and address of exporter, description of goods, value of goods, volume of goods, identification marks on the goods, port of destination and port of loading.

**Answer :** Commercial Banks provide financial assistance in the following two ways:

**Pre-Shipment Financial Assistance:**

This is the type of assistance given to enable exporters to purchase raw materials process them and create finished goods for the purpose of export. This credit is given on the basis of exports orders and letter of credit opened in favour of overseas buyer.

**Post-Shipment Financial Assistance:**

Post-shipment financial assistance is an assistance granted in the form of advances on the basis of bills of exchange and shipping documents drawn under letters of credit. This type of export finance is granted right from the date of shipment of the goods to date of realization collection of export proceeds for the purpose meeting capital need, paying insurance charges. ECGC premium commission and brokerage to agent export promotion expenses and so on and so forth.

25) What are institutions for promoting International Business in India?

**Answer :**

S.No	Institution for promotion of International Business	Purpose
(i)	Department of Commerce	Formulations of policies for promotion of international business and establishment of commercial relations with other countries. Initiating export promotion measures. Developing and Regulating of export-oriented units.
(ii)	Export Promotion Council (EPC)	Promotion and Development of certain export commodities.
(iii)	Export Inspection Council (EIC)	Developing export trade through quality control and pre-shipment inspection.
(iv)	Indian Institute of Foreign Trade	Providing training to people involved in international business and conducting research in the areas of international business.
(v)	Indian Institute of Packing (IIP)	Training in the art of packaging and testing.
(vi)	Commodity Board	Promoting of production of traditional commodities in the export.
(vii)	India trade promotion Organisation (ITPO)	Organising trade fair and exhibition and Developing export of new item and providing updated commercial and business information.
(viii)	State Trading Corporation (STC)	Promoting trade among different partners of the World.
(ix)	Metals and Minerals Trading Corporation (MMTC)	Handling export of primary products like, coal, iron, ore, manufactured agro and industrial products agricultural fertilizer and so on.
(x)	Export and Credit Guarantee corporation (ECGC)	Providing export credit insurance support to Indian exporters.