Export and Import Management Test Paper 2

Multiple Choice Questions

WHAT ROLE DOES THE CUSTOMS AGENCY OF A GOVERNMENT PLAY?

01. Which of the following statements is FALSE regarding the role of the customs agency of a government?
   a. It deals with smuggling operations.
   b. It is increasingly involved in helping protect against foreign terrorist attacks.
   c. It deals with the administration of certain navigation laws and treaties.
   d. It approves and declines migrant work visas.

DESCRIBE THE DIFFERENT TYPES OF THIRD-PARTY INTERMEDIARIES THAT ASSIST EXPORTERS AND IMPORTERS. WHY WOULD A COMPANY USE THEM OR NOT?

02. A foreign merchant who purchases the products from the manufacturer and sells them at a profit is called a:
   a. customs agent.
   b. distributor.
   c. sales representative.
   d. commission agent.

03. In _______________, the exporter sells goods directly to or through an independent domestic intermediary in the exporter's home country that exports the products to foreign markets.
   a. direct selling
   b. indirect selling
   c. multilevel marketing
   d. global resource planning

04. All of the following are major types of indirect intermediaries EXCEPT:
   a. the export management company
   b. the export trading company
   c. export agents
   d. distributors

WHAT ARE EXPORT MANAGEMENT COMPANIES, AND HOW DO THEY HELP POTENTIAL EXPORTERS?

05. Which of the following is typically true of an export management company?
   a. Most EMCs in the United States are large, representing a wide range of products, and a large number of companies.
   b. It is usually a division of a manufacturing company.
   c. It operates on a contractual basis for a manufacturer by helping obtain orders for its clients' products.
   d. It usually takes title to products rather than acts as agents.

06. Exporters use an export management company

a direct selling strategy.
risk enhancement strategy.
an indirect selling strategy.

WHAT ARE Known as INTERNATIONAL TRADING COMPANIES AND TYPES OF TRADING COMPANIES? HOW DO THEY ASSIST THE FLOW OF IMPORTS AND EXPORTS?

08. Which of the following is true of Export Trading Companies in the United States?
  a. They are not allowed to involve competitors due to antitrust laws.
  b. They have been the most successful form of export intermediary in recent years.
  c. They are like independent distributors that match up buyers and sellers.
  d. They must be established independently of the manufacturer in order to avoid a conflict of interest.

09. The _______________, the Japanese equivalent word for trading company, can trace its roots back to the late nineteenth century, when Japan embarked on an aggressive modernization process.
  a. sogo shosha
  b.kaizen
  c. None of these

10. Major Korean international trading companies are part of the large Korean business groups called:
  a. sogo shosha.
  b. kaizen.
  c. maquiladora.
  d. chaebol.

WHAT ARE SOME OF THE DIFFERENT TYPES OF DOCUMENTS USED IN INTERNATIONAL TRADE?

11. A document that is a receipt for goods delivered to the common carrier for transportation, a contract for the services rendered by the carriers, and a document of title is known as a(n):
  a. export license.
  b. commercial invoice.
  c. consular invoice.
  d. bill of lading.

12. A bill for goods issued by the seller that contains the description of the goods, the address of the buyer and seller, and delivery and payment terms is known as a:
  a. bill of lading.
  b. commercial invoice.
  c. shipper's export declaration.
  d. certificate of origin.

13. Countries often use _______________ to determine the specific tariff schedule for imports; it is a document that indicates where products originate.
  a. commercial invoice
  b. shipper's export declaration
  c. bill of lading
  d. certificate of origin

14. A document that controls exports and is used to compile trade statistics is known as a:
  a. bill of lading.
  b. commercial invoice.
  c. certificate of origin.
  d. shipper's export declaration.

WHAT ARE THE MAJOR FINANCIAL ISSUES RELATED TO EXPORTING?

15. From the exporter's point of view, all of the following are major issues that relate to the financial aspects of exporting EXCEPT:
    a. the methods of payment
    b. the financing of receivables
    c. insurance
    d. intermodal transportation

16. Which of the following basic methods of payments is the least secure in terms of security to the exporter?
    a. letter of credit
    b. draft or bill of exchange
    c. open account
    d. Cash before shipment

17. Which of the following major issues DOES NOT relate to the financial aspects of exporting?
    a. the price of the product
    b. the method of payment
    c. location of production

WHAT TYPES OF DOCUMENTS DO EXPORTERS USE TO ENSURE RECEIPT OF PAYMENT? WHAT ARE THE DIFFERENCES AMONG THESE DOCUMENTS?

18. A letter of credit:
    a. is issued by a credit agency to a bank.
    b. cannot be amended.
    c. is more secure than cash in advance.
    d. obligates the importer's bank to honor a draft presented to it.

19. A confirmed letter of credit:
    a. obligates the importer's bank to honor a draft presented to it.
    b. obligates the exporter's bank to honor a draft presented to it.
    c. cannot be amended.
    d. only has the confirmed guarantee of the importer's bank.

20. A revocable letter of credit:
    a. obligates the exporter's bank to honor a draft presented to it.
    b. can only be amended if all the parties involved agree.
    c. can be amended by any of the parties involved at any point.
    d. obligates the importer's bank to honor a draft presented to it.

21. An irrevocable letter of credit:
    a. can only be amended if all parties involved agree.
    b. is issued by an irrevocable credit agency.
    c. can be amended by any of the parties involved at any point.
    d. obligates the exporter's bank to pay interest to the importer.

PROBLEMS-

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1. A UK exporter offers a bank a sight bill for US$ 20,000 on 2.1.2009 drawn under a letter of credit established in his favour by an American Bank. Assuming the following, How much will the amount be in GBP that the bank

credit to his account as post-shipment finance for 6 months, taking into account the statistics given below?
Inter-bank US$ 1 = 0.75GBP
Transit period 15 days
Interest Rate 3% per annum on GBP
Exchange Margin 0.150%

2) An Exporter has the requirement of EURO 5000 to meet his expenditure at the pre-shipment stage. He has a choice of availing Packing credit in EURO or a Foreign Currency Loan in Japanese Yen. He is planning to apply for the loan on 1st January. Assume that the exchange rate is Euro 1.= 150 Yen. He gets an offer from his bank for Foreign Currency Loan of 750,000yen (equivalent of Euro 5000/-) FOR 1 year AT LIBOR + 70 basis points (LIBOR on JPY=0.20%) on 1st January. He has to pay 2.5% interest rate, if he has to avail Pres-shipment loan in Euro. How much he has to pay back, if he avail Yen as loan, if the currency is stable?.. Calculate his repayment liability, if he goes for Foreign Currency Loan IF EXCHANGE RATE becomes 1 euro= JPY 144. State which one would be profitable for him? What would be his liability, if he gets a forward contract @ 1 Euro=147.50 for repayment?

3) USD = EUR0 0.79/83. Forward Rates are quoted as 1 month 0.031/0.033. At what rate you can sell USD, as an exporter? At what rate, you can buy USD, as importer?