



PRESIDENCY UNIVERSITY
BENGALURU

SCHOOL OF LAW

MID TERM EXAMINATION

Even Semester: 2018-19

Course Code: BBL 203

Course Name: International Trade Practices And Documentation

Programme & Sem: BBA.,LL.B.(Hons.) & IV Sem

Date: 01 April 2019

Time: 2 Hours

Max Marks: 60

Weightage: 30%

Instructions:

- (i) *Calculator is allowed*

Part A

Answer **all** the Questions. **Each** question carries **four** marks. (5Qx4M=20)

1. What is Red Clause LC? What are the significance of Red Clause LC in International Business?
2. Explain those risks that are not covered by marine insurance?
3. What is meant by 'Peril'? Explain different types of perils covered while insuring cargo?
4. Explain the various types of risk in international trade and discuss the suggestions for minimization of these risks?
5. How the method of realizing payment under Documents against Payment differs from that of Documents against Acceptance?

Part B

Answer **all** the Questions. **Each** question carries **five** marks. (4Qx5M=20)

6. What is the importance of the B/E in an import operation? Discuss the manual as well as EDI procedure for processing B/E for import cargo.
7. What are the different types of customs duties imposed in India? Discuss the reasons for levying each type of duty.
8. Assume that your organization import an article with assessable value of INR 1 lakh into India. Calculate the Customs duty, CVD, SAD and Education cess for this transaction based on The Customs Tariff Act, 1975.
9. Describe the salient provisions of "Uniform customs & practices for documentary credits"?

Part C

Answer **both** the Questions. **Each** Question carries **ten** marks. (2Qx10M=20)

10. Suppose that your organization want to import some products from U.S market. Exporter has asked you to open a LC account for the same. What are steps you will follow to do the transaction till the money is credited in the exporter bank?

11. Mr. Rohit Sharma, a leading Mumbai-based garment exporter is a worried man today. The source of his worry is a news item, which has appeared in a newspaper regarding US customs advance manifest regulations. According to this new rule, ocean carries and or automated NVOCCs are required to submit a cargo declaration 24 hours before the cargo is loaded on board a vessel.

The US is the main market for Sharma's organization, Tulip Garments, which exports more than 50% of its production to American buyers. For Sharma, meeting stringent delivery schedules of his overseas buyers was itself an uphill task on a daily basis. He was faced with acute power-cuts and labour unrest. The timely delivery of fabrics, which is his raw material, is also a constant source of worry. Added to this is the news about the new customs regulation in the US.

Sharma is particularly concerned because his established way of conducting business will be seriously affected by the 24-hour rule. Most of the deliveries made by the Tulip Garments are on JIT basis. This means that a consignment dispatched from his factory on Friday evening could still be loaded on a vessel due to sail on Saturday. With the new rule, this has all changed. That is, Instead of 1700 hours on Friday, now the consignment has to be dispatched by 1700 hours on Wednesday. This will give ample time to Shinde to submit data via AMS to US Customs.

Sharma is now thinking of ways to trim 48 hours from his production cycle from fabric to garment. He realizes that he himself follows the JIT system of inventory management and is dependent on the daily arrival of fabrics from mills, which are his suppliers. The smallest delay in the arrival of fabric will disturb his own delivery schedule. To sharma's mind, the solution could be to keep the raw material inventory in stock. For converting fabrics into garments, Sharma depends on manual labour and is already facing problems related to absenteeism. Even one tailor's absence, stretches his delivery schedule to limits. He is wondering how to slash those 48 hours. Will automation help him to solve this problem? But he realizes that every solution on his new problem demands new investment. If Sharma keeps raw material in stock, his capital is locked in inventory. If he employs more people, he adds to his workforce and end up paying more as salary, and adding to his existing problem of his bank and add to his additional surcharge of US\$ 20 per B/L towards meeting the operational cost of data transmission to the US customs using AMS.

Sharma calculated his additional costs with each alternative and find that his already wafer-thin profit margin is being swallowed by just one change in the US customs rule.

Questions:

- A. Is the US government justified in putting its own security concern ahead of the business interest of thousands of small entrepreneurs like Sharma? Could it have devised any other way to improve security without hurting small enterprises?
- B. Offer your suggestions with suitable logic with business theory to Rohit Sharma to overcome his various problems stemming out of the US Customs 24- hours manifest rule.



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END TERM FINAL EXAMINATION

Even Semester: 2018-19

Course Code: BBL203

Course Name: International Trade

Program & Sem: BBA.,LL.B. (Hons.) & IV Sem

Date: 25 May 2019

Time: 3 Hours

Max Marks: 80

Weightage: 40%

Instructions:

(i) *Calculator is allowed*

Part A

Answer **all** the Questions. **Each** question carries **four** marks. (5Qx4M=20M)

1. What is venture capital Investment? Differentiate between FDI & FPI.
2. What is the difference between letters of Credit and lines of credit?
3. How does a bank help an organization in export-import transaction?
4. Write short notes on Harmonized System and Carnet.
5. Discuss the reasons for mandatory inspection requirement of some commodities, while exporting

Part B

Answer **all** the Questions. **Each** question carries **six** marks. (5Qx6M=30M)

6. What are the new developments in customs clearance procedure? How will they help shippers and other stakeholders in International trade? Give your suggestions for further improvement.
7. Discuss how an exporter manages risks pertaining to Quality.
8. Elucidate the steps involve in opening an LC.
9. If you are an importer, would you prefer to pay in advance? Discuss the pros and cons of advance payment.
10. Customs clearance procedure of export cargo creates bottlenecks for Indian exporter. Do you agree or disagree with this statement? Give your reasons in support of your answer.

Part C

Answer **both** the Questions. **Each** Question carries **fifteen** marks. (2Qx15M=30M)

11. Name the mandatory documents required to be prepared by an exporter. Discuss the salient features of each of these documents.

12. Flipkart case: ED finds FEMA violation, Rs 1400 Cr. fine likely

The Enforcement Directorate has found online retail firm Flipkart in violation of FEMA provisions. Officials involved in the investigation told The Indian Express that “the probe in the matter is over and the ED has been able to establish that the company, which had foreign investors on board, was involved in B2C (business-to-consumer) operations simultaneously during the probe period”, something that is not allowed under the regulations.

“The matter will now be forwarded to the official adjudicator, who will decide the exact amount of penalty. It is likely to be around Rs 1,400 crore,” an official said. When contacted, a Flipkart spokesperson said, “Flipkart is fully compliant with laws of the land and we will fully cooperate with the authorities.”

As per section 13 of the Foreign Exchange Management Act (FEMA), 1999, if any person or entity were found to be in contravention of the Act, after the process of adjudication, the person or entity could be liable to face a penalty up to thrice the sum involved. The ED is responsible for the implementation of the FEMA.

The official said that the investigating agency has found that WS Retail, a firm incorporated in 2009 to transact with customers, was allegedly acting as a front for retail operations of Flipkart Online Services, incorporated in 2008. The ED investigation had commenced after the RBI had raised the issue.

In 2012, former commerce and industry minister Anand Sharma had informed the Lok Sabha that “the RBI has informed that matters related to Bharti WaiMart/Cedar Support Services Ltd and Flipkart Online Services, respectively, have been referred to the Directorate of Enforcement for further investigations”, for allegedly carrying out activities in violation of FEMA.

Following the ED probe, the company had sold WS Retail to a group of Indian investors led by former OnMobile COO Rajiv Kuchhal in February 2013 and moved on to what is called, the marketplace model, in April the same year to conform to the FDI regulations.

As per the current policy, FDI is not allowed in e-commerce companies conducting B2C transactions while 100 per cent FDI is allowed in B2B (business-to-business) transactions. The new government has not taken a call on liberalising the FDI provisions for the sector so far. According to a KPMG-Internet and Mobile Association of India report, India’s e-commerce market in 2013 was around \$13 billion. Last month, Flipkart raised funds worth \$1 billion with participation from existing investors Tiger Global Management and Naspers, along with Singapore’s sovereign wealth fund GIC, Accel Partners, DST Global, Iconiq Capital, Morgan Stanley Investment Management and Sofina, to make long-term strategic investments in India, especially in mobile technology.

Questions: A) Differentiate between FERA and FEMA? What are the main features of FEMA?

B) What is marketplace model? Discuss this case as per the section 13 of the FEMA, 1999 and give your justification on this case.